FW: FY21 Agencies & Organization Budget Submissions

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City of Franklin
VIRGINIA
Growth • Community • Spirit

Agency Funding Request for Fiscal Year 2020-2021

Please return an original and (1) copy of the completed form along with supporting material/attachments no later than **January 6th** to: Tracy Spence, Interim Finance Director, P.O. Box 179, 207 West 2nd. Avenue, Franklin, VA 23851 or deliver to the Finance Department, City Hall – 2nd Floor. If you have any questions send e-mail to: tspence@franklinva.com

I. General Information & Description

1. Organization/Legal Agency Name:

5th Judicial District Comprehensive Community Corrections Program/City of Suffolk

2. Federal ID#/Tax Exempt#:

54-6001636

Please provide the name of the primary contact person for your agency:

3. Executive Director or Primary Contact:

Name	Title
Azeez Felder	Director

4. Finance Director/Treasurer:

Name	Title
William Thompson, Jr.	Administrative Services Manager

5. Mailing Address:

135 Hall Avenue
PO Box 1818
Suffolk, VA 23439

6. Phone:	7. Fax:	8. Email address:
757-514-7366	757-514-4869	wxthompson@suffolkva.us

9. Website Address:

http://www.suffolkva.us/775/Community-Corrections-Program

II. Agency Funding

10. Length of Funding Requested ☐ One time ☒ Continuous

10a. Amount requested for fiscal year 2020-2021: $ 12,506.00

Please explain any changes in the funding request for the organization from the amount requested in the previous fiscal year.

The variance for the request from FY 2020 to FY2021 is due to a change in the caseload composition as of 12/23/2019.

11. Have you received funding from the City of Franklin in the past? YES [X] NO [ ]
12. If yes, please indicate the current & previous fiscal year(s) your agency received funding from the City.

Fiscal Year	Amount
FY 20-21	N/A
FY 19-20	$9,583.00
FY 18-19	$11,623.00
FY 17-18	$12,950.00
FY 16-17	$12,950.00
FY 15-16	$6,975.00
FY 13-14	

13. Amounts received from other sources (federal, state, donations, grants, other jurisdictions) to support your operations in the **current year (FY 2019-2020)**

Source	Amount
City of Suffolk	$129,938.00
Isle of Wight County	$20,858.00
Southampton County	$7,328.00
Virginia Department of Criminal Justice Services	$218,460.00

14. Amounts requested or expected from other sources (federal, state, donations, grants, other jurisdictions) to support your operations **next year (FY 2020-2021)**

Source	Amount
City of Suffolk	$127,736.00
Isle of Wight County	$17,567.00
Southampton County	$11,315.00
Virginia Department of Criminal Justice Services	$220,704.00

15. Give the number of Franklin residents utilizing your agency's services: (number of clients or residents)

FY 18-19 Actual	FY 19-20 Estimated	FY 20-21 Projected
31	34	42

(PRINTED NAME) Azeez Felder

(SIGNATURE OF EXECUTIVE OFFICER) ____________

**************************** ***For Finance Office Use Only*** ****************************

Date Application Received ____________

Amount Requested $____________ **Amount Approved** $____________

Audit/Financial Report on File **Yes**______ **No** ______

DEPARTMENT OF SOCIAL SERVICES
135 Hall Avenue, Suite B • Suffolk, Virginia 23434

Suffolk
VIRGINIA
It's a good time to be in Suffolk

December 23, 2019

City of Franklin Finance Department
PO Box 179
Franklin, VA 23851

Dear Finance Director,

The City of Suffolk has managed the Comprehensive Community Corrections Program for the Fifth Judicial District since 1997. The Program over the years has enhanced public and community safety by providing supervision services through a variety of intermediate sanctions. Probation services have enabled offenders to become functional members of our community (inclusive of the City of Franklin) by providing education, training, and treatment while making offenders accountable to their community for their criminal behavior. Community Corrections' primary goal is public safety. In Virginia, public safety is defined as the quality of life that allows our citizens to feel secure in their everyday lives by being free from danger, injury and damage caused by those who choose not to obey the law. Our approach to this goal through professional supervision of offenders under our purview is "A Balanced Approach." This practice emphasizes the dual role of providing supervision and services for probationers and parolees.

The budgets being presented by the Governor, the House and the Senate currently do not reduce funding for jurisdictions providing Comprehensive Community Corrections probationary services. Understanding the fiscal stress that all jurisdictions are experiencing, match funding for all participating jurisdictions is being requested as identified on the attached proposed budget for the Comprehensive Community Corrections Program for FY 2020-2021. **The City of Franklin's requested match for FY 2020-2021 is $12,506.00.** The variance from FY 2019-2020's request is due to the proportionate caseload allocation by locality.

The most current Comprehensive Annual Financial Report for the City of Suffolk can be viewed online at https://www.suffolkva.us/DocumentCenter/View/2218 and gives an overview of the locality's commitment to fiscal responsibility. If you have any questions regarding the enclosed documents, please me at (757) 514-7366 or via e-mail at wxthompson@suffolkva.us.

Sincerely,

William Thompson, Jr.,
Administrative Services Manager

Enclosures

Mailing Address: P. O. Box 1818 • Suffolk, Virginia 23439
Phone (757) 514-7450 • **Fax** (757) 514-4869 • **E-mail** SocialServices@suffolkva.us

Western Tidewater Comprehensive Community Corrections Program
5th Judicial District
Operating Budget FY 2020-2021

Budget Item	Number	Budget Request
Salaries and Wages		
Community Corrections Coordinator	1	$62,457
Community Corrections Officer	3	$107,877
Office Assistant II	2	$70,063
FICA		$18,390
VRS Retirement		$30,867
Group Life		$3,173
Risk Management/Hospitalization		$30,927
Information Technology Suffolk IT		$15,000
Information Technology PTCC Server Support		$2,207
Postal Services		$500
Professional Services-Supportive Courses		$50,000
Telecommunications		$1,560
Lease/Rent of Equipment		$1,261
Travel & Training		$13,045
Office Supplies		$7,500
Drug Screening Supplies		$5,000
Total		**$419,828**

Revenue	Amount
Department of Criminal Justice Services Funds	$220,704
Match funds from Franklin City	$12,506
Match funds from Isle of Wight County	$17,567
Match funds from Southampton County	$11,315
Match funds from Suffolk City	$127,736
Intervention Fees	$30,000
Total	**$419,828**

Match Funds by Locality-Allocated by Caseload

Locality	Caseload	Percentage	Match
Franklin	42	7.39%	$12,506
Isle of Wight	59	10.39%	$17,567
Southampton	38	6.69%	$11,315
Suffolk	429	75.53%	$127,736
Total	**568**	**100%**	**$169,124**

Caseload data as of 12/23/2019

City of Franklin VIRGINIA
Growth • Community • Spirit

Agency Funding Request for Fiscal Year 2020-2021

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Amount Requested $____________ **Amount Approved** $____________

Audit/Financial Report on File Yes______ **No** ______

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William Thompson, Jr.,
Administrative Services Manager

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Caseload data as of 12/23/2019

City of Franklin VIRGINIA

Growth • Community • Spirit

Agency Funding Request for Fiscal Year 2020-2021

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I. General Information & Description

1. Organization/Legal Agency Name:

Hampton Roads Planning District Commission

2. Federal ID#/Tax Exempt#:

54-1545555

Please provide the name of the primary contact person for your agency:

3. Executive Director or Primary Contact:

Name	Title
Robert A. Crum, Jr.	Executive Director

4. Finance Director/Treasurer:

Name	Title
Sheila Wilson	Chief Financial Officer

5. Mailing Address:

723 Woodlake Drive
Chesapeake, VA 23320

6. Phone:	7. Fax:	8. Email address:
(757) 420-8300	(757) 523-4881	wilsons@hrpdcva.gov

9. Website Address:

www.hrpdcva.gov

II. Agency Funding

10. Length of Funding Requested ☐ One time ☒ Continuous

10a. Amount requested for fiscal year 2020-2021: $19,444 - Estimated

Please explain any changes in the funding request for the organization from the amount requested in the previous fiscal year.

No changes.

11. Have you received funding from the City of Franklin in the past? YES [X] NO [ ]

12. If yes, please indicate the current & previous fiscal year(s) your agency received funding from the City.

Fiscal Year	Amount
FY 20-21	$19,444 - Estimated
FY 19-20	$19,959
FY 18-19	$19,303
FY 17-18	$19,091
FY 16-17	$19,311
FY 15-16	$17,283
FY 14-15	$18,257
FY 13-14	$16,954

13. Amounts received from other sources (federal, state, donations, grants, other jurisdictions) to support your operations in the **current year (FY 2019-2020)**

Source	Amount
Federal	$ 5,492,191
State DHCD	$ 151,943
Other State, Grants and Local Projects	$ 4,150,290
Local Jurisdiction Contributions – Without Franklin	$ 3,278,533
Total	$13,072,957

14. Amounts requested or expected from other sources (federal, state, donations, grants, other jurisdictions) to support your operations **next year (FY 2020-2021)**

Source	Amount
Federal	$ 5,300,000
State DHCD	$ 151,943
Other State, Grants and Local Projects	$ 3,930,000
Local Jurisdiction Contributions – Without Franklin	$ 3,268,513
Total	$12,650,456

15. Give the number of Franklin residents utilizing your agency's services: (number of clients or residents)

FY 17-18 Actual	FY 19-1920 Estimated	FY 20-21 Projected
Entire Population	Entire Population	Entire Population

Print Name ROBERT CRUM

(SIGNATURE OF EXECUTIVE OFFICER)

*************************** *For Finance Office Use Only* ***************************

Date Application Received ___________________

Amount Requested **$**________________ **Amount Approved $**________________

Audit/Financial Report on File **Yes**________ **No** ________

December 23, 2019

Ms. Tracy Spence, Director of Finance
City of Franklin
207 West 2nd Avenue
Franklin, VA 23851

RE: Outside Agency Funding Request for Fiscal Year 2020-2021

Dear Ms. Spence:

As requested in your letter of November 19, 2019, the Hampton Roads Planning District Commission (HRPDC) is submitting the enclosed "Agency Funding Request for Fiscal Year 2020-2021" for your consideration. Also enclosed is the Preliminary FY2021 Locality Contribution Summary spreadsheet, detailing the estimated amounts to be requested from each member locality for membership dues and special program assessments for FY2021.

<u>MISSION:</u> With its affiliated organization, the Hampton Roads Transportation Planning Organization (HRTPO), the Hampton Roads Planning District Commission (HRPDC) serves all 17 localities in the region.
The HRPDC's mission is to:

- Serve as a forum for local elected officials and chief administrators to deliberate and decide issues of regional importance;
- Provide the local governments and citizens of Hampton Roads credible and timely planning, research and analysis on matters of mutual concern; and
- Provide leadership and offer strategies and support services to other public and private, local and regional agencies, in their efforts to improve the region's quality of life.

The Executive Director reports to two boards: a board of Commissioners appointed by the 17 member localities; and the HRTPO Board that includes members from 15 localities, the General Assembly, transit and state and federal agencies.

<u>BENEFITS/PROPOSED ACTIVITIES/SERVICE LEVELS</u>: The Hampton Roads Planning District Commission (HRPDC) is a regional organization that benefits all the residents of the 17 Hampton Roads localities. It is the region's resource for technical expertise on issues pertaining to economics, emergency management, housing, planning, and water resource management. The organization serves member local governments by facilitating discussion and cooperation with credible and timely research, analysis, and planning. The HRPDC provides support staff for the Hampton Roads Transportation Planning Organization (HRTPO), as well as public education and outreach. As a Virginia Planning District, the HRPDC is the Affiliate Data Center for our region, providing economic, environmental, transportation, census, and other information relevant to businesses, public organizations, and citizens.

AMOUNT REQUESTED: Attached for your reference is the HRPDC's Preliminary FY2021 Locality Contribution Summary showing the estimated cost to localities for membership dues and special programs. The City of Franklin's FY2021 contribution is estimated at $19,444 (please see the attachment for details by program area).

Each fiscal year, the HRPDC relies on per capita member locality dues and special program assessments to carry out the organization's Unified Planning Work Program (UPWP) and additional activities endorsed by the HRPDC, the HRTPO, and their respective advisory committees during the year. Special program budgets are developed through the HRPDC's committees for the following work areas: Hampton Roads Regional Construction Standards Program; Coastal Resiliency Program, Regional Water and Wastewater Programs, Regional Stormwater Program; and Environmental Education Programs. The programs to be supported by the FY2021 locality contributions are described below:

- Member Contribution Dues are based on a per capita figure of $0.80 as approved by the Commissioners. Per capita population figures are based on the latest Weldon-Cooper adjusted census figure, in this case from 07/01/18. Dues are assessed to HRPDC member localities, which benefit from the analysis and planning work performed during the fiscal year. Please note that costs are subject to change when the published, updated population estimates for 07/01/19 are received.

- Metropolitan Medical Response System (MMRS) contribution is based on a per capita figure of $0.20 as approved by the Commissioners. Dues are assessed to each member locality. The entire region benefits from the regional asset known as the MMRS Strike Team and the medical response capabilities administered regionally by the MMRS program.

- The Hampton Roads Regional Construction Standards Program budget is determined by committee; the annual program cost is divided among localities based on their share of the regional population. The Standards are a reference manual of uniform construction standards that improve the quality of roads, utilities, and other right-of- way improvements built in our region.

- The Coastal Resiliency Program budget is determined by the Coastal Resiliency Committee. The program includes the USGS Subsidence Benchmarking Monitoring Network and the regional flood insurance outreach campaign. Staff also provides technical assistance for ongoing analysis, coordination and planning support for projects endorsed by the committee.

- The HRPDC administers the Regional Water and Wastewater Programs, the Regional Stormwater Program, and the askHRGreen.org Environmental Education Programs. Budgets for these programs are determined by committees. These programs assist local governments in meeting federal, state, and local planning and compliance requirements in areas such as the protection of drinking water supplies, wastewater management, local water quality improvement, municipal stormwater management and permitting, and other mandated activities.

Should you need additional information, please contact me at wilsons@hrpdcva.gov or by phone at (757) 420-8300, and I will be happy to provide any additional information you may require. Information on the organizations' committee activities, the Unified Planning Work Program, and the 2019 Audited Financial Statements are available at www.hrpdcva.gov and www.hrtpo.org.

Sincerely,

Sheila Wilson

Sheila Wilson
Chief Financial Officer

Enclosures

HAMPTON ROADS PLANNING DISTRICT COMMISSION
Local Jurisdiction Contributions
PRELIMINARY FISCAL YEAR 2021 SUMMARY - SUBJECT TO CHANGE
(Revised 11-06-19)

		100000 45400	398700 46000	670521 47100		233521 49501	242600 42201	233721 49502	235121 49500	237021 49100	237600 49100	239021 49600	234021 49500	234321 49500	235721 49500	239221 49600	239321 46600	237121 46500	237221 49100	239521 48000	239621 48000	
	CENSUS	MBR DUES	MMRS	RCS	RESILIENCY AND WATER RESOURCES PROGRAMS								ASKHRGREEN PROGRAMS									
					Coastal Resiliency Program				Water	Stormwater		Wastewater	HRWET		H2O	HRFOG		HRSTORM		HRCLEAN		
JURISDICTION	Weldon-Cooper **7/1/2018** Population Estimates (Published 1/28/2019)	**Agency Activities Member Contributions** **$0.80** *Per Capita*	**Metropolitan Medical Response System (MMRS)** **$0.20** *Per Capita*	**Regional Construction Standards** *Per Committee*	**Total Coastal Resiliency Program** *Per committee*	Coastal Resiliency TA *Per committee*	USGS Subsidence Monitoring *Per committee*	Flood Insurance Outreach *Per committee*	**Regional Water TA Program** *Per committee*	**Regional Stormwater Program** *Per committee*	**Regional Stormwater Program Legal Services** *Per committee*	**Regional Wastewater Program** *Per committee*	**HRWET Staff** *Per committee*	**HRWET Direct** *Per committee*	**Help 2 Others (H2O) Program** *Per committee*	**HRFOG Direct** *Per committee*	**HRFOG Consultant** *Per committee*	**Stormwater Management Education Staff** *Per committee*	**Stormwater Management askHRgreen** *Per committee*	**HRCLEAN Admin** *Per committee*	**HRCLEAN Direct** *Per Capita and Per committee*	**TOTAL**
Chesapeake	243,868	195,094	48,774	9,518	44,118	32,820	4,943	6,355	16,681	44,341	0	7,094	10,036	12,908	4,040	5,067	5,096	8,897	8,696	7,061	7,967	435,388
Franklin	8,308	6,646	1,662	324	1,503	1,119	168	216	3,012	1,511	0	499	535	689	216	356	358	303	1,262	240	328	19,444
Gloucester County	37,194	29,755	7,439	1,452	6,729	5,006	754	969	3,318	6,763	0	186	748	962	301	133	134	1,357	2,174	1,077	1,265	63,793
Hampton	135,629	108,503	27,126	5,293	24,536	18,253	2,749	3,534	2,242	24,661	0	5,038	0	0	0	3,599	3,619	4,948	5,280	3,927	4,457	223,229
Isle of Wight County	29,051	23,241	5,810	1,134	5,256	3,910	589	757	2,962	5,282	0	308	501	644	201	220	221	1,060	1,917	841	1,001	50,599
James City County	75,837	60,670	15,167	2,960	13,720	10,207	1,537	1,976	7,203	13,789	0	2,692	3,449	4,435	1,388	1,923	1,933	2,767	3,393	2,196	2,518	140,203
Newport News	181,119	144,895	36,224	7,069	32,766	24,375	3,671	4,720	0	32,932	0	5,373	0	0	0	3,838	3,859	6,607	6,716	5,244	5,932	291,455
Norfolk	245,741	196,593	49,148	9,591	44,457	33,074	4,980	6,403	16,766	44,682	0	7,075	10,095	12,984	4,064	5,054	5,082	8,965	8,755	7,115	8,028	438,454
Poquoson	12,320	9,856	2,464	481	2,228	1,657	250	321	2,242	2,240	0	549	0	0	0	392	395	449	1,389	357	458	23,500
Portsmouth	94,953	75,962	18,991	3,706	17,177	12,779	1,924	2,474	9,447	17,265	0	3,584	5,008	6,441	2,016	2,560	2,574	3,464	3,996	2,749	3,138	178,078
Smithfield	8,441	6,753	1,688	329	1,527	1,136	171	220	2,915	1,535	0	329	468	601	188	235	237	308	1,266	244	333	18,956
Southampton County	17,851	14,281	3,570	697	3,229	2,402	362	465	2,414	3,246	0	138	119	154	48	99	99	651	1,563	517	638	31,463
Suffolk	92,714	74,171	18,543	3,618	16,773	12,478	1,879	2,416	7,797	16,858	0	2,456	3,861	4,966	1,554	1,754	1,764	3,382	3,926	2,684	3,065	167,172
Surry County	6,584	5,267	1,317	257	1,191	886	133	172	0	1,197	0	0	0	0	21	0	0	240	1,208	190	272	11,160
Virginia Beach	453,410	362,728	90,682	17,696	82,026	61,022	9,189	11,815	31,773	82,442	0	14,549	20,526	26,401	8,262	10,392	10,450	16,541	15,309	13,128	14,762	817,667
Williamsburg	15,183	12,146	3,037	593	2,747	2,043	308	396	3,188	2,761	0	324	658	846	265	231	232	554	1,479	440	551	30,052
York County	68,725	54,980	13,745	2,682	12,433	9,249	1,393	1,791	2,242	12,496	0	2,805	0	0	0	2,004	2,015	2,507	3,169	1,990	2,287	115,355
HRSD	0	0	0	5,000	0	0	0	0	10,629	0	0	52,001	0	0	0	37,143	37,349	0	0	0	0	142,121
HRUHCA	0	0	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000
NN Water Works	0	0	0	2,500	0	0	0	0	30,171	0	0	0	19,413	24,969	7,815	0	0	0	0	0	0	84,868
TOTAL FY2021	1,726,928	1,381,541	345,387	79,900	312,416	232,416	35,000	45,000	155,000	314,001	0	105,000	75,417	97,000	30,379	75,000	75,417	63,000	71,499	50,000	57,000	3,287,957
TOTAL FY2020	1,726,928	1,381,541	345,387	79,901	310,034	240,034	35,000	35,000	168,752	314,003	0	121,928	73,579	96,998	27,687	75,001	73,578	61,501	71,498	50,000	47,104	3,298,492
DIFFERENCE	0	0	0	(1)		(7,618)	0	10,000	(13,752)	(2)	0	(16,928)	1,838	2	2,692	(1)	1,839	1,499	1	0	9,896	(10,535)

Hampton Roads Planning District Commission

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2019

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS PLANNING DISTRICT COMMISSION

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Commission, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 53-58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton Roads Planning District Commission

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the Hampton Roads Planning District Commission's (Commission) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Commission for the year ended June 30, 2019. The information contained in this MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in the basic financial statements included in this audit.

In the fall of 2008, the Commission was reorganized to better reflect the efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization in accordance with regulations as determined by the US Department of Transportation and the Virginia Department of Transportation. These duties were organized into a new and separate function entitled Hampton Roads Transportation Planning Organization (HRTPO). This new function has two memorandums of understanding between the HRTPO and the Commission. The first indicates the Commission "shall provide the planning and administrative staff to the HRTPO" and all duties thereof. The second indicates the HRTPO "desires the Commission serve as fiscal agent for the HRTPO" and all duties thereof. In this capacity, the Financial Statements of the Hampton Roads Planning District Commission include all the activities involved in administering the financial aspects of the Hampton Roads Transportation Planning Organization.

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains supplementary information and required supplementary information. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Commission's operations are considered to be governmental because the sources of funding include contributions from member jurisdictions and federal and state grants.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.
- The remaining statements are governmental fund financial statements which are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since a governmental fund's focus is narrower than that of the government-wide financial statements reconciliation between the two methods is provided.

As required, the following tables present a summary of the long-term financial condition and operations of the Commission for the years ended June 30, 2019 and June 30, 2018. The *Summary Statements of Net Position* include the current assets, investments in capital assets, current and noncurrent liabilities, and deferred outflows and inflows of resources of the Commission. The *Summary Statements of Activities* contain all of the years' revenues and expenses. The *Summary Statements of Changes in Net Position* further delineate the areas of fiduciary responsibility within the net position category.

The following table summarizes the Commission's Statements of Net Position:

Summary Statements of Net Position
June 30, 2019 and 2018

	2019	2018	Increase (Decrease)	% Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	**$ 6,907,148**	$ 7,038,702	$ (131,554)	-1.87%
Capital assets, net of accumulated depreciation	**1,119,287**	1,092,618	26,669	2.44%
Deferred outflows of resources - pension plan and OPEB	**487,333**	391,929	95,404	24.34%
Total assets and deferred outflows of resources	**8,513,768**	8,523,249	(9,481)	-0.11%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	**898,727**	819,709	79,018	9.64%
Noncurrent liabilities	**5,884,485**	5,826,155	58,330	1.00%
Deferred inflows of resources - pension plan and OPEB	**769,365**	892,495	(123,130)	-13.80%
Total liabilities and deferred inflows of resources	**7,552,577**	7,538,359	14,218	0.19%
NET POSITION				
Net investment in capital assets	**1,119,287**	1,092,618	26,669	2.44%
Unrestricted	**(158,096)**	(107,728)	(50,368)	46.75%
Net position	**$ 961,191**	$ 984,890	$ (23,699)	-2.41%

The following table provides a summary of the Statement of Revenues, Expenses and Changes in Net Position:

Summary Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018	Increase (Decrease)	% Change
Program revenues:				
Local contributions	**$ 3,764,422**	$ 4,318,241	$ (553,819)	-12.83%
Federal pass-through	**3,760,076**	3,602,540	157,536	4.37%
Commonwealth	**446,136**	442,893	3,243	0.73%
Total operating revenues	**7,970,634**	8,363,674	(393,040)	-4.70%
Operating expenses:				
Indirect - general and administrative	**1,249,930**	1,346,139	(96,209)	-7.15%
Direct program expense	**400,983**	339,012	61,971	18.28%
Personnel	**3,516,284**	3,575,734	(59,450)	-1.66%
Consultants	**3,185,377**	1,495,271	1,690,106	113.03%
Transportation pass-through services	**425,039**	439,156	(14,117)	-3.21%
Housing and Emergency Management pass-through	**809,720**	718,165	91,555	12.75%
Total operating expenses	**9,587,333**	7,913,477	1,673,856	21.15%
Operating income (loss)	**(1,616,699)**	450,197	(2,066,896)	-459.11%
Miscellaneous	**1,491,976**	295,935	1,196,041	404.16%
Use of money	**101,024**	58,131	42,893	73.79%
Change in net position	**$ (23,699)**	$ 804,263	$ (827,962)	-102.95%

Financial Highlights

Statements of Net Position

This statement reports all short-term and long-term activity of the Commission, which significantly overstates the Commission's true liability due to the long-term estimates required by Governmental Accounting Standards Board (GASB). Net position, according to this statement, shows a decrease of $23,699.

In order to conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record the total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. It is important to note and recognize the ultimate settlement of the remaining liability will be paid primarily with future Commission resources. In addition, Commission staff are completing work to establish a trust fund to prepare for those other postemployment benefits.

Statements of Activities

Operating revenues decreased $393,040 due to pass through revenue received from the Broadband Initiative.

Operating expenses increased $1,673,856 as a result of increased activity in the Regional Connectors Study pass-through expenses and the pass-through expenses for the Broadband Initiative. Revenues for the Broadband Initiative were received in the prior fiscal year.

The basic financial statements of the Commission for the year ended June 30, 2019 indicate a small decrease in net position of $23,699, as disclosed on this statement.

Capital Assets

Summary Statements of Capital Assets
June 30, 2019 and 2018

	2019	2018	Increase (Decrease)	% Change
Capital assets not being depreciated or amortized:				
Land	**$ 80,620**	$ 80,621	$ (1)	0.00%
Capital assets being depreciated or amortized:				
Building and improvements	**2,588,620**	2,443,853	144,767	5.92%
Office furniture and equipment	**764,504**	764,504	-	0.00%
Automobiles	**72,443**	72,443	-	0.00%
Accumulated depreciation and amortization	**(2,386,900)**	(2,268,803)	(118,097)	5.21%
Capital assets, net	**$ 1,119,287**	$ 1,092,618	$ 26,669	2.44%

The Commission's two major capital outlays during the year were the replacement of the HVAC system in the north wing and boardroom. The Commission also completed renovations to the breakroom and one of the conference rooms.

The following table provides the Commission's Balance Sheets of the Governmental Fund as of June 30, 2019 and 2018:

Balance Sheets – Governmental Fund
June 30, 2019 and 2018

	General Fund		Increase	%
	2019	2018	(Decrease)	Change
ASSETS				
Current assets:				
Cash and cash equivalents	**$ 3,394,931**	$ 3,162,768	$ 232,163	7.34%
Due from other governments	**2,076,408**	1,712,647	363,761	21.24%
Other receivables	**6,245**	13,275	(7,030)	-52.96%
Investments	**1,400,205**	2,096,449	(696,244)	-33.21%
Prepaid items and deposits	**29,359**	53,563	(24,204)	-45.19%
Total current assets	**$ 6,907,148**	$ 7,038,702	$ (131,554)	-1.87%
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	**$ 364,390**	$ 234,482	$ 129,908	55.40%
Contracts payable	**125,936**	197,656	(71,720)	-36.29%
Other current liabilities	**10,648**	10,636	12	0.11%
Deferred revenue	**-**	2,054	(2,054)	100.00%
Total liabilities	**500,974**	444,828	56,146	12.62%
Fund balances:				
Nonspendable	**29,359**	53,563	(24,204)	-45.19%
Committed	**2,448,751**	2,582,622	(133,871)	-5.18%
Assigned	**1,397,753**	1,374,881	22,872	1.66%
Unassigned	**2,530,311**	2,582,808	(52,497)	-2.03%
Total fund balances	**6,406,174**	6,593,874	(187,700)	-2.85%
Total liabilities and fund balances	**$ 6,907,148**	$ 7,038,702	$ (131,554)	-1.87%

The *Balance Sheet – Governmental Fund* (Fund Balance Report) reflects the current resources and short-term obligations of the Commission. This report is reported on a modified accrual basis.

The Committed amount of $2,448,751 at year end reflects program revenues received but not yet expended, as well as several reserve accounts that were established to ensure funding would be available for future expenditures for capital improvements, equipment failures, and an increase in the indirect cost carry over.

The Assigned amount of $1,397,753 reflects those funds that have been set aside for other postemployment benefits (OPEB) ($1 million) and leave liabilities ($397,753). Management has determined the full amount of the GASB 75 liability will never be realized, and only a portion of these funds should be set aside for short-term cash management purposes. However, staff are completing work to establish a trust to prepare for these long-term liabilities.

The Unassigned amount of $2,530,311 reflects funds available for future Commission activities. It is important to note the Commission utilizes the unassigned fund balance to support cash flow while the Commission awaits reimbursement of expenses from grant programs that fund a significant amount of the Commission's operations.

Requests for Information

This financial report is designed to provide our Commission members and citizens with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to: Hampton Roads Planning District Commission, Chief Financial Officer, 723 Woodlake Drive, Chesapeake, Virginia 23320.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF NET POSITION
June 30, 2019

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	3,394,931
Due from other governments		2,076,408
Other receivables		6,245
Investments		1,400,205
Prepaid items and deposits		29,359
Capital assets:		
Land		80,620
Building and improvements		2,588,620
Office furniture and equipment		764,504
Automobiles		72,443
Less accumulated depreciation and amortization		(2,386,900)
Total assets		8,026,435
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan		224,613
Other postemployment benefits		262,720
Total deferred outflows of resources		487,333
LIABILITIES		
Accounts payable		364,390
Contracts payable		125,936
Accrued payroll		10,648
Noncurrent liabilities:		
Due within one year:		
Compensated absences		397,753
Due in more than one year:		
Other postemployment benefits		4,725,290
Net pension liability		1,159,195
Total liabilities		6,783,212
DEFERRED INFLOWS OF RESOURCES		
Pension plan		540,468
Other postemployment benefits		228,897
Total deferred inflows of resources		769,365
NET POSITION		
Net investment in capital assets		1,119,287
Unrestricted		(158,096)
Total net position	$	961,191

See Notes to Financial Statements.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs:			
Governmental activities:			
Indirect - general and administrative	$ 1,249,930	$ 1,249,930	$ -
Direct program expenses	400,983	400,983	-
Personnel	3,516,284	1,899,585	(1,616,699)
Consultants	3,185,377	3,185,377	-
Transportation pass-through services	425,039	425,039	-
Housing and Emergency Management pass-through	809,720	809,720	-
Total governmental activities	$ 9,587,333	$ 7,970,634	(1,616,699)
General revenues:			
Miscellaneous			1,491,976
Use of money - investment income			101,024
Total general revenues			1,593,000
Change in net position			(23,699)
Net position, beginning of year			984,890
Net position, end of year			$ 961,191

HAMPTON ROADS PLANNING DISTRICT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2019

		General Fund
ASSETS		
Cash and cash equivalents	$	3,394,931
Due from other governments		2,076,408
Other receivables		6,245
Investments		1,400,205
Prepaid items and deposits		29,359
Total assets	$	6,907,148
LIABILITIES		
Accounts payable	$	364,390
Contracts payable		125,936
Accrued payroll		10,648
Total liabilities		500,974
FUND BALANCE		
Nonspendable		29,359
Committed		2,448,751
Assigned		1,397,753
Unassigned		2,530,311
Total fund balance		6,406,174
Total liabilities and fund balance	$	6,907,148

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance - governmental fund		$ 6,406,174
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.		
Governmental capital assets	$ 3,506,187	
Less accumulated depreciation and amortization	(2,386,900)	
Net capital assets		1,119,287
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental fund until then.		
Pension plan		224,613
Other postemployment benefits		262,720
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		
Compensated absences	(397,753)	
Other postemployment benefits	(4,725,290)	
Net pension liability	(1,159,195)	
		(6,282,238)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental fund until then.		
Pension plan		(540,468)
Other postemployment benefits		(228,897)
Net position of governmental activities		$ 961,191

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2019

		General Fund
Revenues:		
Intergovernmental:		
Local contributions	$	3,764,422
Federal pass-through		3,760,076
Commonwealth		446,136
Use of money - investment income		101,024
Miscellaneous		1,491,976
Total revenues		9,563,634
Expenditures:		
Indirect - general and administrative		1,276,600
Direct program expenses		400,983
Personnel		3,653,615
Consultants		3,185,377
Transportation pass-through services		425,039
Housing and Emergency Management pass-through		809,720
Total expenditures		9,751,334
Net change in fund balance		(187,700)
Fund balance, beginning of year		6,593,874
Fund balance, end of year	$	6,406,174

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Net change in fund balance - governmental fund			$	(187,700)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:				
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.				
Expenditure for capital assets	$	144,767		
Less depreciation and amortization expense		(118,097)		
Excess of capital outlays over depreciation and amortization				26,670
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.				
Compensated absences		(22,872)		
Other postemployment benefits		(247,375)		
Pension expense		407,578		
				137,331
Change in net position of governmental activities			$	(23,699)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Hampton Roads Planning District Commission (Commission) is a regional planning agency authorized by the Virginia Area Development Act of 1968 and created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the town of Smithfield, the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg, and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York. Revenues of the Commission are received primarily from local government (member) contributions and various state and federal grant programs.

In the fall of 2008, the Commission was reorganized to better reflect efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization (MPO) in accordance with regulations as determined by the Federal Highway Administration and the Virginia Department of Transportation. These duties were organized into a new function entitled Hampton Roads Transportation Planning Organization (HRTPO). HRTPO has two Memorandums of Understanding with the Commission. The first addresses the concept that the Commission "shall provide the planning and administrative staff to HRTPO" and all duties thereof. The second addresses the concept that HRTPO "desires that the Commission serve as fiscal agent for HRTPO" and all duties thereof. In this capacity, the audited financial statements of the Commission cover all the activities involved in administering the financial aspects of HRTPO.

The Commission's governing body is composed of various members appointed by each of the seventeen participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Commission because its continued existence depends on the continued funding by the participants. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commission's debt or deficits.

The Commission is not a component unit of any of the participating governments. There are no component units to be included in the Commission's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented, which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Separate fund financial statements are provided for the governmental fund. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of the fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund is reported on a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented, which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements: Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of contributions from participating jurisdictions and Federal and State funds from the Commonwealth of Virginia, are recognized in the period the funding is made available.

Governmental Fund Financial Statements: The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

General Fund: The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

The Commission's annual budget is a management tool that assists users in analyzing financial activity for its June 30 fiscal year. The Commission's primary funding sources are federal and state grants and local subsidies, which have periods that may or may not coincide with the Commission's fiscal year. These grants and subsidies are normally for a twelve-month period; however, they may be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of a local government due to the uncertain nature of grant awards from other entities.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Board formally approves the annual budget in April, before the subsequent fiscal year begins. Due to grant expirations and new awards, amendments are made throughout the year as necessary.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

   Cash equivalents include all highly liquid investments with maturities of three months or less.

2. Investments

   Investments are stated at fair value based on quoted market prices.

3. Prepaid Items

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

4. Capital Assets

   Capital assets include property and equipment and computer hardware with an individual cost of more than $5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets (Continued)

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Office furniture and equipment	5 years
Automobiles	5 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as an expense. There were no impaired assets at year end.

5. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Compensated Absences

The Commission's policy permits VRS Plan 1 and Plan 2 full-time employees to accumulate earned but unused vacation benefits, and VRS Hybrid employees Paid Time Off benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings, at the rate of pay at separation. The liability for such leave is reported as incurred in the government-wide statements. Vacation / Paid Time Off is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated absence balances for employees.

Accumulated sick leave for VRS Plan 1 and Plan 2 employees accrues until employees leave the Commission and will be paid out depending on date of hire and years of service. All full-time regular employees with hire dates before July 1, 2001 are grandfathered under the previous sick leave policy for the sick leave balances as of June 30, 2001 and, at the time of separation, will be reimbursed for one-third of the balance of hours remaining at their rate of pay at separation.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Compensated Absences (Continued)

   Effective July 1, 2001, all regular full-time employees who participate in VRS Plan 1 and Plan 2 are eligible to receive payment of 25% of the sick leave unused balance, up to a maximum payout depending on their years of service, at the rate of pay at separation. Any employee who separates from the Commission with less than 5 years of service will not be reimbursed for any remaining sick leave balance. Over 5 but less than 10 years, maximum payout will be $2,500; over 10 but less than 15 years, maximum payout will be $3,500; over 15 but less than 20 years, maximum payout will be $5,000; over 20 but less than 25 years, maximum payout will be $6,500; and over 25 years of service maximum payout will be $7,500.

7. Deferred Outflows/Inflows of Resources

   In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has two items related to the pension plan that qualify for reporting in this category and are discussed in detail in Note 7 and three items related to other postemployment benefits discussed in detail in Notes 9 and 10.

   In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has three items related to the pension plan and are discussed in detail in Note 7 and five items related to other postemployment benefits discussed in detail in Notes 9 and 10.

8. Group Life Insurance

   The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Fund Equity

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

The unassigned fund balance is utilized to support cash flow while the Commission awaits reimbursement of expenses from grant programs.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

11. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

12. Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through October 31, 2019, the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

At June 30, 2019, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Cash	$ 776,363
Local Government Investment Pool (LGIP)	1,806,459
BB&T - CDARS	812,109
Total	$ 3,394,931

Note 2. Cash and Cash Equivalents (Continued)

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk

As required by state statutes, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s or “Aa” by Moody’s Investors Service.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Commission is maintained in accounts collateralized in accordance with the Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

Note 2. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Commission's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or Agency securities.

Interest Rate Risk

As of June 30, 2019, the Commission had the following investments:

		Investment Maturities (in years)
	Fair Value	Less Than 1 Year
BB&T - Fixed Income	$ 1,400,205	$ 1,400,205
BB&T - CDARS	812,109	812,109
Local Government Investment Pool (LGIP)	1,806,459	1,806,459

The Commission is exposed to minimal interest rate risk since all investments had fixed interest rates at June 30, 2019.

At June 30, 2019, the Commission had investments of $1,806,459 in the LGIP. The LGIP is a professionally managed money market fund that invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the Treasury Board's regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

	Level 1	Level 2	Level 3
BB&T - Fixed Income	$ 1,400,205	$ -	$ -
BB&T - CDARS	812,109	-	-

Note 4. Due From Other Governments

At June 30, 2019, amounts due from other governments were as follows:

Virginia Department of Transportation	$ 478,559
Office of Economic Adjustment	106,718
Virginia Department of Emergency Management	129,916
City of Chesapeake - Federal Home Loan	15,606
Virginia Department of Rail and Public Transit	224,749
City of Portsmouth - Federal Home Loan	164,245
Department of Environmental Quality	18,398
Hampton Roads Transportation Accountability Commission	887,232
Virginia Department of Housing and Community Development	18,754
City of Virginia Beach	13,417
Other Localities	18,814
Total	$ 2,076,408

Note 5. Capital Assets

A summary of capital assets is as follows for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Transfers/ Deletions	Balance June 30, 2019
Capital assets not being depreciated or amortized:				
Land	$ 80,620	$ -	$ -	$ 80,620
Total capital assets not being depreciated or amortized	80,620	-	-	80,620
Capital assets being depreciated or amortized:				
Building and improvements	2,443,853	144,767	-	2,588,620
Office furniture and equipment	764,504	-	-	764,504
Automobiles	72,443	-	-	72,443
Total capital assets being depreciated or amortized	3,280,800	144,767	-	3,425,567
Less accumulated depreciation and amortization for:				
Building and improvements	(1,499,726)	(82,956)	-	(1,582,682)
Office furniture and equipment	(696,634)	(35,141)	-	(731,775)
Automobiles	(72,443)	-	-	(72,443)
Total accumulated depreciation and amortization	(2,268,803)	(118,097)	-	(2,386,900)
Total capital assets being depreciated or amortized, net	1,011,997	26,670	-	1,038,667
Capital assets, net	$ 1,092,617	$ 26,670	$ -	$ 1,119,287

Depreciation and amortization was charged to Indirect – General and Administrative.

Note 6. Compensated Absences

The following is a summary of compensated absences activity of the Commission for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 374,881	$ 613,001	$ 590,129	$ 397,753	$ 397,753

Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1

Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
Non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees.*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

***Non-Eligible Members**
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1 **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component** The retirement multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component** Age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	**Cost-of-Living Adjustment (COLA) in Retirement** COLA matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Eligibility (Continued):** For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Eligible political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component** Not applicable.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	33
Inactive members:	
Vested	17
Non-vested	14
Active elsewhere in VRS	19
Total inactive members	50
Active members	41
Total	124

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2019 was 6.80% for Plan 1 and Plan 2, and 5.80% and 5.45% for the Hybrid Plan of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $213,564 and $285,539 for the years ended June 30, 2019 and 2018, respectively.

B. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate or return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	$ 16,047,421	$ 14,421,420	$ 1,626,001
Changes for the year:			
Service cost	283,162	-	283,162
Interest	1,091,855	-	1,091,855
Difference between expected and actual experience	(350,033)	-	(350,033)
Contributions – employer	-	285,539	(285,539)
Contributions – employee	-	160,469	(160,469)
Net investment income	-	1,056,019	(1,056,019)
Benefit payments, including refunds of employee contributions	(898,975)	(898,975)	-
Administrative expense	-	(9,305)	9,305
Other changes	-	(932)	932
Net changes	126,009	592,815	(466,806)
Balances at June 30, 2018	$ 16,173,430	$ 15,014,235	$ 1,159,195

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Commission using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net pension liability (asset)	$ 3,126,950	$ 1,159,195	$ (477,733)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Commission recognized pension expense of $194,014. At June 30, 2019, the Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	$ 213,564	$ -
Changes of assumptions	-	21,084
Difference between expected and actual experience	11,049	410,307
Net difference between projected and actual earnings on pension plan investments	-	109,077
	$ 224,613	$ 540,468

The $213,564 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions as of June 30, 2019 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	$ (255,565)
2021	(112,480)
2022	(148,826)
2023	(12,548)
Total	$ (529,419)

Note 7. Pension Plan (Continued)

E. Pension Plan Data

Information about the VRS is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://varetire.org/pdf/publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Deferred Compensation Plan

The Commission has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code, Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administrated by a third-party administrator, ICMA Retirement Corporation. Total contributions to the plan were $13,984 for the year ended June 30, 2019.

Note 9. Other Postemployment Benefits (OPEB) Plan

A. General Information about the OPEB Plan

Plan description. The Commission provides non-pension post-retirement medical insurance benefits to individuals who are at least 50 years of age, have completed 20 full years of continuous service to the Commission, and retire under the Virginia Retirement System through a single employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided. The Commission provides medical, vision, and dental benefits for retirees and their spouse. The benefit terms provide for the same coverage options as active employees for employee-only medical, vision, and dental plans until age 65. The Commission contributes an amount equal to the current active employee or employee/spouse premium. For retirees and spouses who are age 65 or older, the Commission contributes an amount equal to the current premium for the program plan designed to complement Medicare coverage.

Employees Covered by Benefit Terms

Employees covered by the benefit terms as of June 30, 2019:

Inactive employees or beneficiaries currently receiving benefits	25
Active eligible employees	42
Total	67

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability

The Commission's total OPEB liability of $4,459,290 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.5%
Discount Rate	3.87%
Healthcare Cost Trend Rates	6.5% decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years

The discount rate was based on a 20 year AA Municipal Bond Rate.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2017. The census was also updated to reflect the current population.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period.

	Total OPEB Liability
Balance at June 30, 2018	$ 3,948,154
Changes for the year:	
Service cost	172,706
Interest	158,143
Changes of assumptions	249,912
Benefit payments, including refunds of employee contributions	(69,625)
Net changes	511,136
Balance at June 30, 2019	$ 4,459,290

The entry age actuarial cost method is unchanged from the prior OPEB valuation. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the Commission, calculated using the discount rate of 3.50%, as well as what Commission's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

Discount Rate Sensitivity – Total OPEB Liability at End of Period:

	1% Decrease (2.50%)	Current Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 5,235,907	$ 4,459,290	$ 3,823,772

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as the Commission's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percent-points lower or 1-percent-point higher than the current healthcare trend rates:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	$ 3,624,869	$ 4,459,290	$ 5,552,185

C. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Commission recognized OPEB expense of $478,889. The Commission also reported deferred inflows of resources related to OPEB from the following source at June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 222,144	$ (189,897)

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

C. OPEB Expense and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Amount
2020	$ 3,422
2021	3,422
2022	3,422
2023	3,422
2024	3,422
Therafter	15,137
	$ 32,247

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI Program have several components. • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and was increased to $8,279 effective July 1, 2018.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Commission were $17,576 and $17,304 for the years ended June 30, 2019 and June 30, 2018, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the Commission reported a liability of $266,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0175% as compared to 0.01674% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $17,272. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,000	$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,000
Change in assumptions	-	11,000
Changes in proportion	10,000	15,000
Employer contributions subsequent to the measurement date	17,576	-
Total	$ 40,576	$ 39,000

The $17,576 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2020	$ 6,000
2021	6,000
2022	6,000
2023	2,000
2024	(3,000)
Thereafter	(1,000)
	$ 16,000

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,113,508
Plan fiduciary net position	1,594,773
Employer's net GLI OPEB liability	$ 1,518,735
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the Commission for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

H. Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net pension liability	$ 347,000	$ 266,000	$ 200,000

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS VAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 11. Committed Fund Balance

Committed Fund Balance is available for the following purposes:

Stormwater	$ 724,806
Regional Water (H2O)	386,731
Regional Wastewater Program	264,815
Solid Waste Special Contracts Local	22,937
Capital building replacement reserve	84,315
Network servers/software reserve	46,534
Equipment reserve	35,000
Hampton Roads Clean Systems	43,714
Building operations and maintenance reserve	38,214
Interior upgrades reserve	8,041
Debris Management	8,965
Vehicle replacement reserve	30,000
HRLFP Admin	4,241
Miscellaneous Housing Grants	7,985
Local Government Contracts	21,963
Municipal Construction Std	92,029
Overflow or Underflow of Indirect Costs	647,769
SHRDSB STAFF	3,460
Metro Medical Response	37,232
DCR Bay Grant	(60,000)
	$ 2,448,751

Note 12. Commitments

On July 1, 2015, the Commission entered into an annual agreement with a vendor to provide public relations and marketing consulting services on environmental matters. The contract has an automatic renewal option for up to four years unless terminated by either party. The contract requires annual payments of $100,000.

In July 2013, the Commission entered into an agreement with a vendor to provide legal counsel for assistance in the areas of storm water permits, TMDL requirements and associated activities. A new contract was signed with this vendor commencing on July 1, 2019 for one year. The contract amount is to be determined on an as-needed basis.

The Commission entered into an agreement with two vendors to provide water quality monitoring. The contracts are for a period of six years commencing on March 1, 2019. The total amount of this contract is $2,805,012 ($467,502 annually).

The Commission entered into various agreements for services related to regional and environmental planning and analysis on July 1, 2015. All agreements are annual and include renewal options for up to four years.

On July 2, 2018 and June 1, 2019, the Commission entered into contracts with a vendor to provide consulting services for the Joint Land Use Study for $455,000 and $304,350, respectively. Both contracts end on March 31, 2020.

Note 13. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from Virginia Risk Sharing Association, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

Note 14. Pending GASB Statements

At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 87, *Leases*, will increase the usefulness of the Commission's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

Management has not yet determined the effect these statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE

	Fiscal Year June 30, 2019	2018
Total OPEB Liability		
Service cost	**$ 172,706**	$ 183,756
Interest	**158,143**	142,540
Changes of assumptions	**249,912**	(238,589)
Benefit payments, including refunds of employee contributions	**(69,625)**	(56,217)
Net change in total OPEB liability	**511,136**	31,490
Total OPEB liability - beginning	**3,948,154**	3,916,664
Total OPEB liability - ending	**$ 4,459,290**	$ 3,948,154
Covered payroll	**$ 3,362,826**	$ 3,277,400
Total OPEB liability as a percentage of covered payroll	**132.61%**	120.47%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.

(2) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2019	3.5%

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM
Year Ended June 30, 2019

	Fiscal Year June 30,	
	2018	2017
Employer's proportion of the net GLI OPEB liability	**0.01750%**	0.01674%
Employer's proportionate share of the net GLI OPEB liability	**$ 266,000**	$ 252,000
Employer's covered payroll	**$ 3,327,692**	$ 3,072,592
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	**7.99%**	8.20%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	**51.22%**	48.86%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

Non-Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020.
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year.
Disability Rates	Lowered rates.
Salary Scale	No change.

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

(4) The amounts presented have a measurement date of the previous fiscal year end.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,		
	2019	2018	2017
Contractually required contribution (CRC)	**$ 17,576**	$ 17,304	$ 16,056
Contributions in relation to the CRC	**17,576**	17,304	16,056
Contribution deficiency (excess)	**$ -**	$ -	$ -
Employer's covered payroll	**$ 3,362,825**	$ 3,327,692	$ 3,072,592
Contributions as a percentage of covered payroll	**0.52%**	0.52%	0.52%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,				
	2015	2016	2017	2018	**2019**
Total Pension Liability:					
Service cost	$ 303,385	$ 302,119	$ 266,726	$ 288,132	**$ 283,162**
Interest	996,091	1,028,029	1,065,600	1,103,655	**1,091,855**
Changes of assumptions	-	-	-	(69,002)	**-**
Differences between expected and actual experience	-	188,230	161,736	(596,411)	**(350,033)**
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	**(898,975)**
Net change in total pension liability	566,425	565,011	484,119	(164,524)	**126,009**
Total pension liability - beginning	14,596,390	15,162,815	15,727,826	16,211,945	**16,047,421**
Total pension liability - ending (a)	$ 15,162,815	$ 15,727,826	$ 16,211,945	$ 16,047,421	**$ 16,173,430**
Plan Fiduciary Net Position:					
Contributions - employer	$ 265,987	$ 258,101	$ 275,830	$ 268,149	**$ 285,539**
Contributions - employee	168,862	146,515	156,320	159,783	**160,469**
Net investment income	1,878,198	608,113	223,589	1,595,776	**1,056,019**
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	**(898,975)**
Administrative expense	(10,281)	(8,751)	(8,723)	(9,475)	**(9,305)**
Other	99	(126)	(98)	(1,409)	**(932)**
Net change in plan fiduciary net position	1,569,814	50,485	(363,025)	1,121,926	**592,815**
Plan fiduciary net position - beginning	12,042,220	13,612,034	13,662,519	13,299,494	**14,421,420**
Plan fiduciary net position - ending (b)	$ 13,612,034	$ 13,662,519	$ 13,299,494	$ 14,421,420	**$ 15,014,235**
Commission's net pension liability - ending (a) - (b)	$ 1,550,781	$ 2,065,307	$ 2,912,451	$ 1,626,001	**$ 1,159,195**
Plan fiduciary net position as a percentage of the total pension liability	89.77%	86.87%	84.67%	89.87%	**92.83%**
Covered payroll	$ 3,133,501	$ 3,217,577	$ 3,072,592	$ 3,327,692	**$ 3,362,826**
Commission's net pension liability as a percentage of covered payroll	49.49%	64.19%	78.04%	49.61%	**34.47%**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,				
	2015	2016	2017	2018	**2019**
Actuarially determined contribution	$ 258,101	$ 274,125	$ 268,149	$ 285,539	**$ 213,564**
Contributions in relation to the actuarially determined contribution	258,101	274,125	268,149	285,539	**213,564**
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	**$ -**
Employer's covered payroll	$ 3,133,501	$ 3,217,577	$ 3,072,592	$ 3,327,692	**$ 3,362,826**
Contributions as a percentage of covered payroll	8.24%	8.52%	8.73%	8.58%	**6.35%**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2019

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION   Schedule 1

CHANGE IN FUND BALANCE
Year Ended June 30, 2019

	General Fund	5303 FTA 20.505	VDOT Transit	VDOT SPR 20.205	VDOT PL 20.205	All Other Grants	Total
Support and revenue:							
Support:							
Direct federal grants	$ -	$ 309,118	$ -	$ 58,000	$ 1,680,373	$ 1,372,554	$ 3,420,045
Pass-through federal contributions	-	340,030	-	-	-	-	340,030
State grants	151,943	38,640	-	-	210,047	-	400,630
Other state grants	3,000	-	-	-	-	-	3,000
Pass-through state	-	42,506	-	-	-	-	42,506
Revenue:							
Match/subsidy	(391,150)	38,659	-	14,533	210,047	127,599	(312)
HRT/WATA match	-	42,503	-	-	-	-	42,503
Investment income	101,024	-	-	-	-	-	101,024
Miscellaneous	5,213,758	-	-	-	-	450	5,214,208
Total support and revenue	5,078,575	811,456	-	72,533	2,100,467	1,500,603	9,563,634
Expenses:							
Direct personnel:							
Salaries	1,308,622	208,363	-	32,883	1,074,002	245,630	2,869,500
Change in compensated absenses	(22,872)	-	-	-	-	-	(22,872)
Fringe benefits - Schedule 2 - Fringes	378,665	56,722	-	9,261	294,057	68,282	806,987
Total direct personnel	1,664,415	265,085	-	42,144	1,368,059	313,912	3,653,615
Direct operating:							
Travel	27,725	-	-	-	6,782	6,181	40,688
Education and training	7,879	-	-	536	6,983	-	15,398
Printing and reproduction	14,121	-	-	204	17,582	655	32,562
Advertising/Audit	-	-	-	-	1,570	-	1,570
Supplies	2,774	-	-	-	499	15	3,288
Consultants/contractual	2,954,183	-	-	-	6,040	225,154	3,185,377
Legal services	12,127	-	-	-	10,861	-	22,988
Telephone	1,678	-	-	-	195	54	1,927
Postage	2,975	-	-	-	295	150	3,420
Recruitment	4,649	-	-	-	30	50	4,729
Dues/subscriptions/memberships/data/publication	15,505	-	-	-	8,538	690	24,733
Software	18,350	-	-	5,360	18,675	-	42,385
Special meetings	15,075	-	-	-	10,589	412	26,076
Miscellaneous	4,541	-	-	-	-	100	4,641
Office equipment	9,215	-	-	5,000	17,596	-	31,811
Capital outlay	144,767	-	-	-	-	-	144,767
Pass-through	170	425,039	-	-	-	809,550	1,234,759
Total direct operating	3,235,734	425,039	-	11,100	106,235	1,043,011	4,821,119
Indirect:							
Other - Schedule 3 - Under/Overage of Indirect Cost	(288,047)	-	-	-	-	-	(288,047)
Other - Schedule 3 - Indirect Expense (Fixed - Applied)	772,270	121,332	-	19,289	626,173	143,680	1,682,744
Total Indirect Cost	484,223	121,332	-	19,289	626,173	143,680	1,394,697
Total direct and indirect	5,384,372	811,456	-	72,533	2,100,467	1,500,603	9,869,431
Total expenses	5,384,372	811,456	-	72,533	2,100,467	1,500,603	9,869,431
Reconciliation to net change in fund balance:							
Depreciation expense - not allocated	(118,097)	-	-	-	-	-	(118,097)
Net Change in Fund Balance	$ (187,700)	$ -	$ -	$ -	$ -	$ -	$ (187,700)

HAMPTON ROADS PLANNING DISTRICT COMMISSION **Schedule 2**

FRINGE BENEFITS
Year Ended June 30, 2019

Employer contributions - FICA	$	254,424
Employer contributions - Health Insurance		465,578
Employer contributions - Life & Disability Insurance		49,329
Employer contributions - Retirement		227,548
Gym Membership		415
Unemployment Compensation Insurance		4,651
Total Fringe Benefits		1,001,945
Indirect Fringe		(194,958)
Total Fringe Benefits	$	806,987

HAMPTON ROADS PLANNING DISTRICT COMMISSION — Schedule 3

INDIRECT EXPENSES
Year Ended June 30, 2019

Salaries	$	672,402
Employee benefits		194,958
Office supplies/software		41,129
Contractual/temporary services		104,290
Office equipment rental & maintenance		11,925
Office equipment		10,739
Office rental/maintenance		109,663
Insurance		16,948
Telephone		10,346
Travel		11,305
Postage		825
Recruitment		2,332
Special meetings		9,119
Dues, subscriptions, membership, data, publication		9,167
Copying cost, printing, and presentation		8,638
Auditing/Advertising		35,765
Miscellaneous/storage		8,466
Interest expense/bank service/fed excise2		7,113
Depreciation expense		118,097
Vehicle maintenance		6,325
Professional education/training/seminars		5,145
Total Indirect Cost Report		**1,394,697**
Under/Overage of Indirect Cost		**288,047**
Fixed Indirect Cost Expenses Applied	**$**	**1,682,744**

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF TRANSPORTATION (DOT)				
Pass-through payments:				
Virginia Department of Rail and Public Transit:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	1459	$ -	$ 649,148
Virginia Department of Transportation:				
Highway Planning and Construction Cluster (Federal-Aid Highway Program)				
PL Federal Aid Urban systems (FAUS) Program	20.205	UPC108963	-	1,680,373
SP&R Federal Aid Urban Systems (FAUS)	20.205	UPC109127	-	58,000
Total Highway Planning and Construction Cluster (Federal-Aid Highway Program)			-	1,738,373
Total Department of Transportation			-	2,387,521
DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ)				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
VCZMP TA Program FY17 (NA17NOS4190152) Task# 43	11.419	413614300	-	17,854
VCZMP TA Program FY18 (NA18NOS4190152) Task# 43	11.419	413624300	-	50,019
CZM First Floor Elevations FY17 (NA17NOS4190152) Task # 84	11.419	413618400	-	25,755
CZM First Floor Elevations FY18 (NA18NOS4190152) Task # 84	11.419	413628400	-	7,197
HRPDC Phase III WIP Planning Assist	66.466	CB96346801-2	-	50,000
Total Department of Environmental Quality			-	150,825
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through payments:				
Virginia Department of Housing and Community Development:				
Home Investment Partnership Program	14.239	Not provided	-	14,500
	14.239	260910012018115000	-	20,792
	14.239	260901162019103540	-	14,500
Total Home Investment Partnership Program			-	49,792

See Notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)				
Pass-through payments (continued):				
City of Portsmouth:				
Home Investment Partnership Program	14.239	1669	$ -	$ 19,205
	14.239	1679	-	22,997
	14.239	1672	-	24,856
	14.239	1670	-	24,406
	14.239	1671	-	4,856
	14.239	1673	-	14,859
	14.239	1677	-	14,950
	14.239	1675	-	375
	14.239	1652	-	20,350
	14.239	1637	-	18,342
	14.239	1648	-	24,467
	14.239	1646	-	1,707
	14.239	1650	-	1,713
	14.239	1643	-	1,707
	14.239	1649	-	19,904
	14.239	1654	-	24,945
	14.239	1653	-	19,443
	14.239	1655	-	19,519
	14.239	1664	-	19,176
Total Home Investment Partnership Program			-	297,777
City of Chesapeake				
Home Investment Partnership Program	14.239	Not provided	-	1,700
	14.239	877	-	14,727
	14.239	878	-	14,962
	14.239	876	-	14,820
	14.239	883	-	14,848
	14.239	882	-	15,179
	14.239	895	-	15,008
	14.239	Not provided	-	450
Total Home Investment Partnership Program			-	91,694
Total Department of Housing and Urban Development			-	439,263
DEPARTMENT OF DEFENSE:				
Direct payments:				
Office of Economic Adjustment:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies:				
Norfolk-Virginia Beach	12.610	HQ00051610216	-	204,304
Portsmouth-Chesapeake	12.610	HQ00051710023	-	45,305
Total Department of Defense			-	249,609

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF HOMELAND SECURITY:				
Pass-through payments:				
Virginia Department of Emergency Management:				
Homeland Security Grant Program	97.067	7571	$ -	$ 48,903
	97.067	7573	-	99,538
	97.067	7587	-	61,015
	97.067	7588	-	73,850
	97.067	7589	-	5,392
	97.067	7572	-	64,907
	97.067	7574	-	39,724
	97.067	7585	-	9,617
	97.067	7944	-	69,624
	97.067	7977	-	50
	97.067	7981	-	60,242
Total Department of Homeland Security			-	532,862
Total expenditures of federal awards			$ -	$ 3,760,080

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hampton Roads Planning District Commission (the Commission) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in net position of the Commission.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Commission and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Commission has elected to apply an indirect cost recovery rate approved by the Virginia Department of Transportation and has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Commission Board Members
Hampton Roads Planning District Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 31, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on Compliance for the Major Federal Program

We have audited the Hampton Roads Planning District Commission's (Commission) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2019. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Those standards and Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on the Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 31, 2019

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?		Yes	✓	No
Significant deficiencies identified?		Yes	✓	None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards

Internal control over the major program:

Material weaknesses identified?		Yes	✓	No
Significant deficiencies identified?		Yes	✓	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		Yes	✓	No

Identification of the major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	✓	Yes		No

Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019

No matters were reported during the prior year audit.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

REPORT TO THE HONORABLE BOARD OF COMMISSIONERS

OCTOBER 31, 2019

PBMares SM

ASSURANCE, TAX & ADVISORY SERVICES

October 31, 2019

To the Honorable Board of Commissioners
Hampton Roads Planning District Commission
Chesapeake, Virginia

We are pleased to present this report related to our audit of the basic financial statements and compliance of the Hampton Roads Planning District Commission (Commission) for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Commission's financial and compliance reporting process.

This report is intended solely for the information and use of the Commission Board Members and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Commission.

PBMares, LLP

PBMares, LLP

PBMares, LLP | 558 South Main Street | Harrisonburg, VA 22801 | P 540.434.5975 | F 540.434.1832 | www.PBMares.com

HAMPTON ROADS PLANNING DISTRICT COMMISSION

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HAMPTON ROADS PLANNING DISTRICT COMMISSION

REQUIRED COMMUNICATIONS
Year Ended June 30, 2019

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance)* require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statements audit and compliance reporting process, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statements and Compliance Audit	Our responsibilities under auditing standards generally accepted in the United States of America; *Government Auditing Standards,* issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions* provided by the Auditor of Public Accounts of the Commonwealth of Virginia have been described to you in our arrangement letter dated June 12, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statements and Compliance Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission did not adopt any significant new accounting policies that had an impact on the financial statements, nor have there been any changes in existing significant accounting policies during the current period. At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are included in the attached Exhibit A.

Area	Comments
Accounting Policies and Practices (Continued)	**Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and management of the Commission, including the representation letter provided to us by management, are attached as Exhibit B.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended June 30, 2019

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Commission's June 30, 2019 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Capital Assets	Estimated lives of amortizable and depreciable assets	Management assigns lives to assets purchased or constructed internally based on the expected useful life of those assets or the product associated with those assets.	Management's approach to depreciation and amortization is consistent with practices of similar organizations. While these estimates are based on historical information, management should continue to monitor the lives assigned to the Commission's assets to ensure the recovery period of these costs are accurate.
Pension Liability and Other Postemployment Benefits (OPEB)	Pension and OPEB liabilities and costs for financial accounting and disclosure purposes	Management recognizes pension and OPEB liabilities based on market trends and industry standards.	Management's approach to recognizing pension and OPEB liabilities appears reasonable and consistent with accepted practice. While these estimates are based on assumptions provided by market trends and industry standards, management additionally contracts with a third-party actuarial to perform actuarial studies every two years.

Exhibit A–New Governmental Accounting Standards Board Pronouncements

HAMPTON ROADS PLANNING DISCTRICT COMMISSION

NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS
Year Ended June 30, 2019

At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The requirements of Statement No. 84 are effective for financial statements for fiscal years beginning after December 15, 2018.

Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The requirements of Statement No. 87 are effective for financial statements for fiscal years beginning after December 15, 2019.

Exhibit B–Significant Written Communications Between Management and Our Firm

Arrangement Letter

June 12, 2019

Hampton Roads Planning District Commission
723 Woodlake Drive
Chesapeake, Virginia 23320

Attention: Mr. Robert A. Crum, Executive Director

The Objective and Scope of the Audit of the Financial Statements

You have requested we audit the Hampton Roads Planning District Commission's (Commission) governmental activities and major fund as of and for the year ending June 30, 2019, which collectively comprise the basic financial statements. In addition, the required supplementary information presented in relation to the financial statements taken as a whole will be subjected to the auditing procedures applied in our audit of the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will also perform the audit of the Commission as of June 30, 2019 so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the Single Audit Act; Subpart F of Title 2 U.S. CFR Part 200, Uniform Guidance; the U.S. Office of Management and Budget's (OMB) Compliance Supplement; and the *Specifications for Audits of Authorities, Boards, and Commissions*, provided by the Auditor of Public Accounts for the Commonwealth of Virginia. Those standards, regulations, supplement, and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

No component units are to be included in the Commission's basic financial statements.

The federal financial assistance programs and awards you have told us the Commission participates in and are to be included as part of the single audit are listed on Attachment A.

We are responsible for the compliance audit of the major programs under the Uniform Guidance, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of updating our understanding of internal control and performing tests of internal control consistent with requirements of the standards, regulations, supplement, and specifications identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards, regulations, supplement, and specifications identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;

2. To evaluate subsequent events through the date the financial statements are issued or available to be issued and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees they will not evaluate subsequent events earlier than the date of the management representation letter referred to below;

3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;

4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;

5. For report distribution; and

6. To provide us with:

   a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

   b. Additional information we may request from management for the purpose of the audit; and

   c. Unrestricted access to persons within the Commission from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including, among other items, that:

1. Management has fulfilled its responsibilities as set out in the terms of this letter; and

2. It believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the Commission involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the Commission received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information (RSI) presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI in any document that contains the RSI and indicates the auditor has reported on such RSI. Management also agrees to present the RSI with the audited financial statements or, if the RSI will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the RSI no later than the date of issuance of the RSI and the auditor's report thereon.

Because the audit will be performed in accordance with the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all federal awards received and expended; (b) preparing the Schedule of Expenditures of Federal Awards (including notes and noncash assistance received) in accordance with Uniform Guidance requirements; (c) internal control over compliance; (d) compliance with federal statutes, regulations and the terms and conditions of federal awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (f) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan; and (g) submitting the reporting package and data collection form.

The Board is responsible for informing us of its views about the risks of fraud or abuse within the Commission, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the Commission.

Our association with an official statement is a matter for which separate arrangements will be necessary. The Commission agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Commission seeks such consent, we will be under no obligation to grant such consent or approval.

The Commission agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Commission agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

Records and Assistance

If circumstances arise relating to the condition of the Commission's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Commission personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Ms. Sheila Wilson, Chief Financial Officer. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting the financial statements. The GAS independence standards require the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the Commission, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is considerations of management's ability to effectively oversee the non-audit services to be performed. The Commission has agreed Ms. Sheila Wilson, Chief Financial Officer, possesses suitable skill, knowledge and experience and she understands the services to be performed sufficiently to oversee them. Accordingly, the management of the Commission agrees to the following:

1. The Commission has designated Ms. Sheila Wilson, Chief Financial Officer, as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;

2. Ms. Sheila Wilson, Chief Financial Officer, will assume all management responsibilities for subject matter and scope of the non-audit services;

3. The Commission will evaluate the adequacy and results of the services performed; and

4. The Commission accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the Commission's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the Commission's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

Other Relevant Information

PBMares, LLP may mention the Commission's name and provide a general description of the engagement in PBMares, LLP's client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with GAS, a copy of our most recent peer review report can be located on our website at www.pbmares.com.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are not expected to exceed $29,900. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Commission personnel.

2. Timely responses to our inquiries.

3. Timely completion and delivery of client assistance requests.

4. Timely communication of all significant accounting and financial reporting matters.

5. The assumption unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Fees may also increase based on the extent of accounting services and other assistance required to render a complete set of financial statements. The fee provided here includes the audit of one federal program under the Single Audit Act. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty days from the invoice date(s) will be subject to a late payment charge of 1.5% per month (18% per year).

Our professional standards require we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Commission agrees it will compensate PBMares, LLP for any additional costs incurred as a result of the Commission's employment of a partner or professional employee of PBMares, LLP.

In the event we are requested or authorized by the Commission or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of PBMares, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of PBMares, LLP audit personnel and at a location designated by our firm.

Other Terms

While there is an attorney-client privilege, there is no accountant-client privilege. Accordingly, any information that you provide to us is subject to discovery. Unless prohibited by law, we will notify you if we receive any subpoena, or other third-party request for our information and/or records concerning you. If you direct us to disclose the requested information, we will comply with the subpoena and, in the case of a third-party request, we will need you to sign a form authorizing the disclosure. If you do not direct us to disclose the requested information, we will engage counsel to protect your interest in non-disclosure. In either event, we will bill you for all of our costs associated with complying with your directions. Our bill will include, in addition to our then standard fees and charges and, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, penalties, and fines imposed because of our non-disclosure.

We reserve the right to withdraw from this engagement without completing our services for any reason, including, but not limited to, your failure to comply with the terms of this arrangement letter, or as we determine professional standards require.

If any portion of this engagement letter is deemed invalid or unenforceable, such a finding shall not invalidate the remainder of the terms set forth in this engagement letter.

Dispute Resolution

If any dispute other than fees arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. You and we consent to personal jurisdiction, both for mediation and/or litigation, of the Federal District Court, Eastern District of Virginia, sitting in Richmond, Virginia, or the Richmond Circuit Court. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

The parties hereto both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. The arbitration shall take place in Richmond, Virginia. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

Information Security – Miscellaneous Terms

PBMares, LLP is committed to the safe and confidential treatment of the Commission's proprietary information. PBMares, LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Commission agrees that it will not provide PBMares, LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of Commission information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

PBMares, LLP may terminate this relationship immediately in its sole discretion if PBMares, LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or PBMares, LLP's client acceptance or retention standards, or if the Commission is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Commission or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

Reporting

We will issue a written report upon completion of our audit of the Commission's financial statements. Our report will be addressed to the Honorable Commission Board Members. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the Commission's financial statements, we will also issue the following types of reports:

1. A report on the fairness of the presentation of the Commission's schedule of expenditures of federal awards for the year ending June 30, 2019;

2. Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal control;

3. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by Subpart F of Title 2 U.S. CFR Part 200, Uniform Guidance, on each major program; and

4. An accompanying schedule of findings and questioned costs.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities, or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

This letter constitutes the complete and exclusive statement of agreement between PBMares, LLP and the Commission, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

Sincerely,

PBMares, LLP

Michael A. Garber

Michael A. Garber, Partner

Confirmed on behalf of the Hampton Roads Planning District Commission:

Signature 8/13/19 Date

HAMPTON ROADS PLANNING DISTRICT COMMISSION

ATTACHMENT A
Year Ending June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number	Federal CFDA Number
DEPARTMENT OF TRANSPORTATION (DOT)	
Pass-through payments:	
Virginia Department of Rail and Public Transit:	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505
Virginia Department of Transportation:	
Highway Planning and Construction Cluster (Federal-Aid Highway Program)	
PL Federal Aid Urban Systems (FAUS) Program	20.205
SP&R Federal Aid Urban Systems (FAUS)	20.205
DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ)	
Pass-through payments:	
Virginia Department of Environmental Quality (DEQ):	
Coastal Zone Management Administration Awards	11.419
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
Pass-through payments:	
Virginia Department of Housing and Community Development:	
Home Investment Partnership Program	14.239
City of Portsmouth:	
Home Investment Partnership Program	14.239
City of Chesapeake:	
Home Investment Partnership Program	14.239
DEPARTMENT OF DEFENSE	
Direct payments:	
Community Economic Adjustment Assistance for Compatible Use and Joint Use Studies:	
Norfolk-Virginia Beach	12.610
Portsmouth-Chesapeake	12.610
DEPARTMENT OF HOMELAND SECURITY	
Pass-through payments:	
Virginia Department of Emergency Management:	
Homeland Security Grant Program	97.067

Representation Letter

October 31, 2019

PBMares, LLP
558 South Main Street
Harrisonburg, Virginia 22801

This representation letter is provided in connection with your audit of the basic financial statements of Hampton Roads Planning District Commission (the "Commission") as of and for the year ended June 30, 2019 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of October 31, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 12, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. There were no events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustments or disclosure.

6. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP, if any.

7. The following have been properly recorded and/or disclosed in the financial statements:

    a) Net position and fund balance classifications.

    b) The fair value of investments.

    c) Deposits and investment securities categories of risk.

    d) The effect on the financial statements of GASB Statement No. 84, *Fiduciary Activities,* and GASB Statement No. 87, *Leases*, which have been issued, but which we have not yet adopted.

8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:

    a) The Commission has no significant amounts of idle property and equipment.

    b) The Commission has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.

9. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgement based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

    a) To reduce receivables to their estimated net collectable amounts, if necessary.

    b) For pension and other postemployment benefit obligations attributed to employee services through June 30, 2019.

10. There are no:

    a) Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible part" by the Environmental Protection Agency in connection with any environmental contamination.

c) Material liabilities or gain or loss contingencies that are required to be accrued or disclosed.

d) Guarantees, whether written or oral, under which the Commission is contingently liable.

e) Agreements to repurchase assets previously sold.

f) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

g) Material concentrations known to management.

h) Security agreements in effect under the Uniform Commercial Code.

i) Liens or encumbrances on assets or revenues or any assets or revenues which are pledged as collateral for any liability or which we were subordinated in any way.

j) Liabilities which are subordinated in any way to any other actual or possible liabilities.

k) Significant estimates and material concentrations known to management which are required to be disclosed.

l) Risk financing activities.

m) Derivative financial instruments.

n) Special or extraordinary items.

o) Arbitrage rebate liabilities.

p) Risk retentions, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2019 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2019.

q) Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

r) Material losses to be sustained as a result of purchase commitments.

s) Environmental cleanup obligations.

t) Contractual obligations for construction and purchase of real property or equipment.

11. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with U.S. GAAP.

12. We have no direct or indirect, legal or moral obligations for any debt of any organization, public or private, or to special assessment bond holders.

13. We have complied with all aspects of contractual agreements that would have a material affect on the financial statements in the event of noncompliance.

14. Net position (net investment in capital assets, restricted, and unrestricted) and fund balances are properly classified and, when applicable, approved.

15. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.

16. Revenues are appropriately classified in the Statement of Activities.

17. We have no knowledge of any uncorrected misstatements in the financial statements.

18. Capital assets are properly capitalized, reported and depreciated or amortized.

19. We agree with the findings of specialists in evaluating the assertion found in footnote 7, Pension Plan, footnote 9, Other Postemployment Benefits (OPEB) Plan, and footnote 10, Other Postemployment Benefits (OPEB) Plan - Group Life Insurance Program, and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Information Provided

20. All transactions have been recorded in the accounting records and are reflected in the financial statements.

21. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

22. We have no knowledge of allegations of fraud or suspected fraud affecting the Commission's financial statements involving:

    a) Management.

    b) Employees who have significant roles in internal control.

    c) Others where the fraud could have a material effect on the financial statements.

23. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communications from employees, former employees, analysts, regulators, or others.

24. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

26. We have disclosed to you the identity of the Commission's related parties and all the related-party relationships and transactions of which we are aware.

27. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize and report financial data.

28. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

29. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

30. With respect to supplementary information presented to supplement the basic financial statements:

    a) We acknowledge our responsibility for the presentation of such information.

    b) We believe such information, including its form and content, is fairly presented in accordance with guidelines prescribed by U.S. GAAP.

    c) The methods of measurement or presentation have not changed from those used in the prior period.

d) All underlying assumptions or interpretations are presented in the financial statements.

Required Supplementary Information

31. With respect to the Management's Discussion and Analysis and Required Supplementary Information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

    a) We acknowledge our responsibility for the presentation of such required supplementary information.

    b) We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

    c) The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

32. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

33. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.

34. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

35. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

36. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

37. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

38. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

39. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse the auditor reports.

40. Has a process to track the status of audit findings and recommendations.

41. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

42. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

43. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

44. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

45. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.

46. Management has prepared the schedule of expenditures of federal awards in accordance with Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants,

federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.

47. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

48. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on the major program.

49. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

50. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was not such noncompliance.

51. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).

52. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

53. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

54. Management has disclosed to the auditor any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

55. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

56. Management is responsible for taking corrective action on audit findings of the compliance audit and has developed a corrective action plan that meets the requirements of the Uniform Guidance.

57. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

58. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

59. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

60. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control have occurred subsequent to the period covered by the auditor's report.

61. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

62. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

63. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

64. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

65. If applicable, management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.

66. Management has charged costs to federal awards in accordance with applicable cost principles.

67. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

68. The reporting package does not contain protected personally identifiable information.

69. Management will accurately complete the appropriate sections of the data collection form.

70. If applicable, management has disclosed all contracts or other agreements with service organizations.

71. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

Robert A. Crum, Executive Director

Sheila Wilson, Chief Financial Officer

PBMares

INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
Hampton Roads Planning District Commission
Chesapeake, Virginia

We have examined management of Hampton Roads Planning District Commission's (the Commission) assertion the census data reported to the Virginia Retirement System (VRS) by the Commission during the year ended June 30, 2019, were complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in §51.1-136 of the *Code of Virginia*. The Commission's management is responsible for its assertion. Our responsibility is to express an opinion on its assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We have included in Appendix A the sample selection methodologies and sample sizes for the Commission specifically requested by the Auditor of Public Accounts in the *Specifications for Audits of Authorities, Boards and Commsisions.*

In our opinion, management's assertion the census data reported to the VRS by the Commission during the year ended June 30, 2019, were complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in §51.1-136 of the *Code of Virginia*, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Commission and the Auditor of Public Accounts of the Commonwealth of Virginia and is not intended to be and should not be used by anyone other than these specified parties.

PBMares, LLP

Harrisonburg, Virginia
October 24, 2019

Appendix A

We identified one control environment during this examination for which the Commission was responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which the Commission was responsible:

Required Audit Procedure	Population Size	Sample Size	Errors Identified	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data Elements	49	5	None	Primary risk: Improper reporting to VRS
Review of Eligibility of Newly Enrolled Members Reported to the VRS	9	1	None	Primary risks: Failure to report eligible employees and reporting of ineligible employees
Review of Monthly *my*VRS Navigator Contribution Confirmation Reconciliations	12	2	None	Primary risks: Monthly Snapshot does not reconcile to the general ledger and contributions not confirmed by the 10th of the following month
Review of *my*VRS Navigator System Access	4	1	None	Primary risk: Assigned roles in *my*VRS Navigator System unreasonable in relation to current job responsibilities

City of Franklin VIRGINIA
Growth • Community • Spirit

Agency Funding Request for Fiscal Year 2020-2021

Please return an original and (1) copy of the completed form along with supporting material/attachments no later than **January 6, 2020** to: Tracy Spence, Finance Director, 207 West 2nd. Avenue, Franklin, VA 23851 or deliver to the Finance Department, City Hall – 2nd Floor. Emailed applications with all necessary attachments will be accepted. The email address is: tspence@franklinva.com

I. General Information & Description

1. Organization/Legal Agency Name:

STOP Incorporated

2. Federal ID#/Tax Exempt#:

54-0787715

Please provide the name of the primary contact person for your agency:

3. Executive Director or Primary Contact:

Name	Title
Regina P. Lawrence	President and CEO

4. Finance Director/Treasurer:

Name	Title
Michael Thomas	Interim VP Finance & Human Resources

5. Mailing Address:

Airport Executive Center
5700 Thurston Ave., Suite 101
Virginia Beach, VA 23455

6. Phone:	7. Fax:	8. Email address:
757-858-1360	757-228-7569	lawrence@stopinc.org

9. Website Address:

www.stopinc.org

II. Agency Funding

10. Length of Funding Requested [ ] One time [X] Continuous

10a. Amount requested for fiscal year 2020-2021: $ 15,000

Please explain any changes in the funding request for the organization from the amount requested in the previous fiscal year.

11. Have you received funding from the City of Franklin in the past? YES [X] NO [ ]
12. If yes, please indicate the current & previous fiscal year(s) your agency received funding from the City.

Fiscal Year	Amount
FY 20-21	$0
FY 19-20	$0
FY 18-19	$0
FY 16-17	$0
FY 15-16	$0
FY 14-15	$0
FY 13-14	$0

13. Amounts received from other sources (federal, state, donations, grants, other jurisdictions) to support your operations in the **current year (FY 2019-2020)**

Source	Amount
Hampton Roads Community Foundation	$15,020
CSBG TANF	$45,000
Renaissance Counseling Services	$7,000
Project Discovery of Virginia	$43,000
Toyota Charity Bowl	$2,500

14. Amounts requested or expected from other sources (federal, state, donations, grants, other jurisdictions) to support your operations **next year (FY 2020-2021)**

Source	Amount
Hampton Roads Community Foundation	$15,020
CSBG TANF	$45,000
Renaissance Counseling Services	$7,000
Project Discovery of Virginia	$43,000
Toyota Charity Bowl	$2,500

15. Give the number of Franklin residents utilizing your agency's services: (number of clients or residents)

FY 18-19 Actual	FY 19-20 Estimated	FY 20-21 Projected
96	128	160

*************************** *For Finance Office Use Only* ***************************

Date Application Received ________________

Amount Requested **$**______________ **Amount Approved $**_____________

Audit/Financial Report on File **Yes**_______ **No** _______

(PRINTNAME) Regina P. Lawrence

(SIGNATURE OF EXECUTIVE OFFICER) R.P. Lawrence

STOP Inc.
Supporting Transformational Opportunities for People
Since 1965
Airport Executive Center · 5700 Thurston Avenue, Suite 101 · Virginia Beach, VA 23455
(757) 858-1360 · WWW.STOPINC.ORG

January 6, 2020

Ms. Tracy Spence, Director of Finance
City of Franklin
207 W. Second Avenue
Franklin, VA 23851

REF: City of Franklin FY 2020-21 Budget Submission Information
STOP Inc. Regional Organization Grant Request for $15,000

Ms. Spence,

STOP Incorporated welcomes the opportunity to be considered for placement in the City of Franklin's FY 2020-2021 Operating Budget for $15,000 through its budget submission request. Please find below the information requested. Also, please see the attached funding request and the attached STOP's most recent audit.

<u>The Mission/Purpose Of The Agency (Why Does The Organization Exist?)</u>

STOP Incorporated is a designated Community Action Agency that, since 1965, has worked to transform individuals, families, and communities in Virginia through collaboration, cooperation, and partnerships. Our motto, Supporting Transformational Opportunities for People, is indicative of our mission: *With the assistance of community partners, reduce the effects of poverty by assisting low and moderate wage earners, and economically disadvantaged residents of Eastern Virginia achieve self-sufficiency through program and service initiatives which encompass education, employment, housing and health for the improvement of their quality of life.*

STOP exists to assist those low-income individuals and families in the Eastern Virginia area in overcoming poverty through our program's services and initiatives that improve lives in the areas of education, employment, housing, and health. Through our core values of respect, integrity, optimism, cultural competence and dignity, STOP's vision is to be one of the premier Community Action Programs in the Commonwealth of Virginia entrusted to provide quality programs and services that have a transformational impact on low and moderate-income residents in our community. We will achieve this vision by implementing the core principles of community action: flexibility, immediacy, and coordination.

<u>Specific Benefits of The Agency's Services To Franklin City Residents (How Does A City Department Providing Service Delivery Directly Benefit From The Support And Services Provided By Your Agency?)</u>

STOP seeks funding to provide Youth ages 10 to 17 who reside in the City of Franklin, comprehensive afterschool and summer programming that will enhance their interest, knowledge, and skills in the areas of Science, Technology, Engineering, Agriculture and Mathematics (STEAM). STOP will work with youth at least two times a week during the school year, in addition to holding summer activities at the conclusion of the school year. During this time, STOP will host an eight-week summer camp five days a week, with each Friday serving as an enrichment field trip day. The program provides educational activities that encourage youth to seek opportunities in STEAM fields. STOP intends to increase awareness of and interest in attending college by exposing youth to college life through college tours and interactions with colleges and universities in the region.

Currently, STOP has an existing relationship with the City of Franklin and is working with stakeholders to provide youth programs located in Franklin for the City's youth this fiscal year. STOP is dedicated to ensuring that youth in the City of Franklin are exposed to educational opportunities that will peak their interests in the fields of science and math. Additionally, STOP's program will help youth consider the possibility of attending college, where that consideration may not have existed previously. Receiving funds from the City of Franklin will allow STOP to serve more youth and increase our footprint in the western part of the region.

Youth who can participate in STOP's youth program in Franklin may also have the opportunity to experience STOP's Technology Bus. STOP's Technology Bus provides youth with a mobile technology and training system that creates opportunities for inclusion in the computer programming industry. The initiative provides youth with onboard technology education, mentorship, and engagement to help prepare them for their future. Youth will be exposed to computer programming, software design, gaming and robotics, and computer repair and maintenance and repair.

The Target Population Which Refers To The Clients Served (Who Benefits From Your Services I.E., Disabled Or Elderly Residents, Children, Etc.?)

Qualifying youth ages 10 to 17 will be served. For youth to qualify for the program, they must be a part of a family that is considered low income by the federal income guideline. Each must family must provide documentation of their income status before any youth can participate in the program.

The amount of the proposed budget request for FY2020-2021. Explain in detail (1) how the amount of the request was derived, (2) reason for change, if applicable, from previous year funding and (3) how the requested funds will be utilized to serve the City of Franklin.

STOP Inc. requests $15,000 to provide youth programs to 20 youth who reside in the City of Franklin.

(1) The amount was derived from a cost per participant of $750 each.
(2) N/A. Funding was not received in FY 2019-2020
(3) The requested funds will be used to cover costs associated with the program to include: (a) academic materials and supplies for all activities, (b) costs for travel to area colleges and university trips, (c) admission costs to local science centers and museums, (d) healthy snacks for nourishment, (e) T-shirts for youth to wear on outings. **It is important to note that all funds received will be utilized directly for goods and services that pertain directly to program participants in Franklin as overhead is covered through other sources.**

Thank you for every consideration of our request!

Respectfully submitted,

R. P. Lawrence

Regina P. Lawrence
President and CEO
STOP Incorporated

c: William Curtis
Board Chairman

STOP Inc., Airport Executive Center 5700 Thurston Avenue. Suite 101 Virginia Beach, VA 23455 (757) 858-1360 www.stopinc.org

STOP INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

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JONES
CPA GROUP PC

Shareholders: Stephen M. Jones | Ali E. Gunbeyi | Cathy C. Nadeau | Nellie M. Green

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
STOP Inc.
Virginia Beach, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of ***STOP Inc.*** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***STOP Inc.*** as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Norfolk Office
120 Atlantic Street
Suite 300
Norfolk, VA 23510-1729
757.627.7672

Virginia Beach Office
100 Constitution Drive
Suite 200
Virginia Beach, VA 23462
757.631.4760

Newport News Office
11837 Rock Landing Drive
Suite 202
Newport News, VA 23606
757.596.3046

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses on page 16 and statement of expenditures of Federal Awards on page 17, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2018, our consideration of ***STOP Inc.'s*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***STOP Inc.'s*** internal control over financial reporting and compliance.

Jones & Grant, P.C.

Norfolk, Virginia
November 5, 2018

STOP INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	22,755
Accounts Receivable:		
Grants and Contracts		692,306
Other		21,082
Inventory		43,636
TOTAL CURRENT ASSETS		779,779
PROPERTY AND EQUIPMENT		
At Cost, Net of Accumulated Depreciation		349,276
TOTAL ASSETS	$	1,129,055

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	$	321,699
Line of Credit		94,000
Accrued Expenses		154,938
Current Portion Long-Term Debt		11,969
Deferred Revenue		22,801
TOTAL CURRENT LIABILITIES		605,407
LONG-TERM DEBT		
Long-Term - Net of Current Portion		758,737
TOTAL LIABILITIES		1,364,144
NET ASSETS		
Unrestricted		(235,089)
TOTAL NET ASSETS		(235,089)
TOTAL LIABILITIES AND NET ASSETS	$	1,129,055

See independent auditors' report and accompanying notes.

STOP INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Federal Grants	$ 3,796,968	$ -	$ -	$ 3,796,968
Other Grants and Contributions	1,031,093	-	-	1,031,093
Program Revenue	4,417	-	-	4,417
In-Kind Contributions	77,829	-	-	77,829
TOTAL REVENUE AND SUPPORT	4,910,307	-	-	4,910,307
EXPENSES				
Program Services	4,586,836	-	-	4,586,836
Support Services	244,802	-	-	244,802
TOTAL EXPENSES	4,831,638	-	-	4,831,638
CHANGE IN NET ASSETS	78,669	-	-	78,669
NET ASSETS, BEGINNING OF YEAR	(313,758)	-	-	(313,758)
NET ASSETS, END OF YEAR	$ (235,089)	$ -	$ -	$ (235,089)

See independent auditors' report and accompanying notes.

STOP INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 78,669
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	135,144
(Increase) Decrease in Grants and Contracts Receivable	(408,874)
(Increase) Decrease in Other Accounts Receivable	37,017
(Increase) Decrease in Inventory	38,715
Increase (Decrease) in Accounts Payable	(30,527)
Increase (Decrease) in Deferred Revenue	(6,336)
Increase (Decrease) in Accrued Expenses	43,777
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(112,415)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Fixed Assets	(5,397)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,397)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Debt	(25,741)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(25,741)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(143,553)
CASH AND CASH EQUIVALENTS - BEGINNING	166,308
CASH AND CASH EQUIVALENTS - ENDING	$ 22,755

SUPPLEMENTAL DISCLOSURE

INTEREST PAID	$ 20,784

See independent auditors' report and accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - STOP Inc. is a nonprofit organization established in 1965 to carry out community action programs which are generally funded by revenue from agency programs and grants from local, state, and federal agencies. Such grants usually require compliance with prescribed grant conditions and other special requirements, including the furnishing of certain amounts of cash or noncash contributions.

Income Tax Status - STOP Inc. is a qualifying nonprofit entity as defined in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal and state income taxes, except on net income generated from unrelated business taxable income, if any.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of the guidance to its financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they are filed.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period it is earned and expenses are recognized in the period in which they are incurred.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The classes of net assets are described as follows:

> ***Unrestricted net assets*** are those currently available at the discretion of the Organization's Board of Directors for the use in the Organization's operations and those resources invested in property and equipment.
>
> ***Temporary restricted net assets*** are those that are stipulated by donors/grants for specific purposes or are inherently time restricted, such as pledges. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period.
>
> ***Permanently restricted net assets*** are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.
>
> The Organization has no temporarily or permanently restricted net assets as of June 30, 2018.

Cash and Cash Equivalents - the Organization considers all cash on hand and highly liquid investments, with an original maturity of three months or less, to be cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services - The Organization received donated goods and volunteer services for use in the general operation in the activities of the Organization. At June 30, 2018, $77,829, has been reflected in the Statement of Activities and Net Assets for donated services. Contributed property and equipment is recorded at fair value at the date of donation.

Property and Equipment - Property and equipment are stated at cost if purchased and the fair value on the date received, if donated. Contributions are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing expenditures for property and equipment in excess of $5,000. Depreciation expense for the fiscal year ended June 30, 2018 was $135,144. Depreciation is calculated using the straight- line method based on the following useful lives:

Asset Category	Useful Life (Years)
Land	N/A
Equipment and Vehicles	5 - 10
Furniture and Fixtures	7 - 15

Deferred Revenue - Referred revenue consist of grant money received and not yet expended.

Inventory - Inventory is valued at the cost at time of purchase.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and assumptions.

Restricted and Unrestricted Revenue - STOP Inc. recognizes support from its cost reimbursement grants as costs are incurred. All revenue is considered to be available for unrestricted use unless specifically restricted by the contractor or donor. Amounts received that are designed for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no permanently restricted net assets at June 30, 2018. If temporary restrictions expire within the same year that the restriction was initiated, the Organization reports the income as unrestricted income.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which can be directly associated with a specific program are charged directly to the respective grant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statement of activities. The ASU also requires various enhanced disclosures abound topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. while the ASU will change the presentation of the Organization's financial statements, it is not expected to alter the Organization's reported financial position and activities.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-profit Entities* (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for topic, 606). the amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions that under previous GAAP. The ASU recommends application on a modified prospective basis; however retrospective application is permitted. The Organization has not yet decided on a transition method. The ASU is effective for years beginning after December 31, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance is this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Date of Management Review - Management has evaluated subsequent events through November 5, 2018, the date which the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2018 there were no uninsured cash balances.

NOTE 3 - EMPLOYEE BENEFITS

Paid Time Off - Full and part-time employees are entitled to paid time off per the employee manual. The employee receives paid time off depending on the number of years you have been with the Organization. The Organization is in compliance with the FMLA requirements.

Insurance - Employees may elect to participate in the health insurance program. The Organization pays 100% of the premiums for full-time employees.

Retirement - The Organization established an employee Defined Contribution Plan under the 403(b) of the Internal Revenue Code and was inactive during the year ended June 30, 2018.

NOTE 4 - PROPERTY AND EQUIPMENT

The classes of depreciable assets consisted of the following:

Building & Land	$ 36,300
Furniture & Equipment	621,878
Vehicles	1,098,230
	1,756,408
Less Accumulated Depreciation	(1,407,132)
Net Property and Equipment	$ 349,276

NOTE 5 - GRANTS AND CONTRACTS RECEIVABLE

The Organization is involved in programs with governmental agencies which result in being secured by the Federal Grants. Uncollectible accounts from these contracts are rare. The allowance method is used to write off receivable and is based on experience and third - party contracts and other circumstances which may affect the ability to collect. Receivables are considered impaired if payments are not received in accordance with the contractual terms and balances are written off when management determines the balance will not be collected. At June 30, 2018 there was no allowance for doubtful accounts.

NOTE 6 - NON-CASH CONTRIBUTIONS

During the year ended June 30, 2018 the Organization received various non-cash contributions. No amounts have been recognized in the accompanying statement of activities unless the criteria for recognition under SFAS No. 116 has been satisfied. Management has estimated the fair value of non-cash contributions as follows:

Services	$ 61,978
Space - Project Discovery	15,851
	$ 77,829

NOTE 7 - LONG-TERM DEBT

Long-term debt and related current maturities at June 30, 2018 consists of the following:

HHS Vehicle	$ 27,250
HHS Program	743,456
	770,706
Less Current Portion	(11,969)
Long-Term Portion	$ 758,737

Aggregate maturities required on total long term debt for the next five years are as follows:

2019	$ 11,969
2020	11,998
2021	12,029
2022	12,089
Afterwards	722,621
	$ 770,706

NOTE 8 - LINE OF CREDIT

At June 30, 2018, the Organization had a line of credit in the amount of $500,000 with an outstanding balance in the amount of $94,000. The line is secured by property, inventory and accounts receivable and bears an interest rate based on the Wall Street Journal of 4.75%.

NOTE 9 - OPERATING LEASES

The Organization leases it's current location through a non-cancellable operating lease with a five term commencing on March 1, 2017 and terminating on February 28, 2022. Rental expense paid under this operating agreement amount to $13,596 monthly from July 2017 to March 2018, and $14,004 from April to June 2018. Total rental expense paid for fiscal year ended June 30, 2018 amounted to $169,626, which includes amounts required to be paid for property taxes under the rental agreement.

The Organization leases a second office and storage facility through a three-year lease non-cancellable agreement commencing April 2017 and expiring May 31, 2020. Rental expense per the agreement is $4,500 per month amounting to $54,000 for the year ended June 30, 2018.

A new lease for office equipment was executed beginning July 31, 2017 for a period of thirty-nine (39) months at a rate of $598 per month plus applicable charges and taxes. Leases for office equipment and storage are held by the Organization with various vendors that allow for cancellation upon specified terms of notice. The total for all lease payments for the fiscal year ended June 30, 2018 was $ 24,981.

Below is the schedule of non-cancellable lease payments for future years:

2019	$ 230,910
2020	231,502
2021	182,460
2022	185,468
	$ 830,340

COMPLIANCE SECTION

JONES
CPA GROUP PC

Shareholders Stephen M. Jones | Ali E. Gunbeyi | Cathy C. Nadeau | Nellie M. Green

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Norfolk Office
120 Atlantic Street
Suite 300
Norfolk, VA 23510-1729
757.627.7672

Virginia Beach Office
100 Constitution Drive
Suite 200
Virginia Beach, VA 23462
757.631.4760

Newport News Office
11837 Rock Landing Drive
Suite 202
Newport News, VA 23606
757.596.3046

To the Board of Directors
STOP Inc.
Virginia Beach, Virginia

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of STOP Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the STOP Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STOP Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of STOP Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether STOP Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective or our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

The Organization's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dyers & Graf, P.C.

Norfolk, Virginia
November 5, 2018

JONES
CPA GROUP PC

Shareholders Stephen M. Jones | Ali E. Gunbeyi | Cathy C. Nadeau | Nellie M. Green

Norfolk Office
120 Atlantic Street
Suite 300
Norfolk, VA 23510-1729
757.627.7672

Virginia Beach Office
100 Constitution Drive
Suite 200
Virginia Beach, VA 23462
757.631.4760

Newport News Office
11837 Rock Landing Drive
Suite 202
Newport News, VA 23606
757.596.3046

jonescpagroup.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
STOP Inc.
Virginia Beach, Virginia

Report on Compliance for Each Major Federal Program

We have audited STOP Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of STOP Inc.'s major federal programs for the year ended June 30, 2018. STOP Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of STOP Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about STOP Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of STOP Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, STOP Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which would be required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs Findings 2018-001, 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

STOP Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. STOP Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of STOP Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered STOP Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of STOP Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies on internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Findings 2018-001, 2018-002, and 2018-003 that we consider to be sigificant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Norfolk, Virginia
November 5, 2018

SUPPLEMENTARY INFORMATION

STOP INC.
SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Support Services	Total Expenditures
Salaries and Wages	$ 1,796,430	$ 33,874	$ 1,830,304
Employer Payroll Taxes	159,221	3,137	162,358
Fringe Benefits	159,658	95,149	254,807
Contractual Services	631,193	-	631,193
Travel	52,278	38,766	91,044
Rent	215,751	12,375	228,126
Telephone	38,715	2,514	41,229
Insurance	69,869	305	70,174
Professional Services	31,936	922	32,858
Cost of Materials	200,633	4,050	204,683
Vehicle Maintenance and Repairs	53,116	903	54,019
Equipment Rental	23,447	7,442	30,889
Client Assistance	828,372	-	828,372
Other Expenses	112,554	162	112,716
Interest Expense	-	20,784	20,784
Depreciation Expense	121,630	13,514	135,144
In-Kind Expense	77,829	-	77,829
Non Consumable Supplies	-	6,189	6,189
Repairs	-	715	715
Utilities	14,204	4,001	18,205
Total Expenses	$ 4,586,836	$ 244,802	$ 4,831,638

See independent auditors' report.

STOP INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Passed Through the Virginia Department of Social Services:		
* Community Services Block Grant	93.569	$ 1,383,869
* Community Services Block Grant (Carryover)	93.569	3,035
Passed Through the Virginia Department of Housing & Community Development:		
* Low Income Home Energy Assistance Program (LIHEAP)	93.568	702,578
Passed Through the Virginia Department of Health and Human Services:		
Temporary Assistance for Needy Families (TANF)	93.558	552,075
Passed Through the City of Chesapeake:		
Department of Social Services	93.569	145,748
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		2,787,305
DEPARTMENT OF ENERGY:		
Passed Through the Virginia Department of Housing & Community Development:		
* Weatherization Assistance for Low-Income Persons	81.042	224,973
DEPARTMENT OF LABOR:		
Direct Payments: Homeless Veterans' Reintegration Program	17.805	195,891
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Passed Through the Virginia Housing Development Authority:		
HUD Housing Counseling Assistance Program	14.169	40,000
REACH Housing Counseling Assistance Program	14.169	49,162
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		89,162
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Direct Payments: Emergency Solutions Grant - Virginia Homeless Solutions Program	14.231	42,211
Passed Through the Virginia Department of Housing and Community Development		
Virginia Homeless Soltutions Program	14.231	48,495
TOTAL DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT		90,706
DEPARTMENT OF VETERAN AFFAIRS:		
Direct Payments: Supportive Services for Veteran Families	64.033	375,354
DEPARTMENT OF THE TREASURY:		
Direct Payments: Volunteer Income Tax Assistance (VITA)	21.009	33,577
TOTAL FEDERAL ASSISTANCE		$ 3,796,968

* Denotes Major Programs

See independent auditors' report.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of STOP Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CRF) Part 2, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).* Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations of the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST ALLOCATION METHOD

During the year ended June 30, 2018 the Organization has elected not to use the 10% deminimis rule to allocate indirect costs to the programs support by federal, state, local, and private funding sources.

STOP INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

1 Summary of Auditors' Results

A. The auditors' report expresses an unmodified opinion on whether the financial statements of Organization were prepared in accordance with GAAP.

B. There was one instance of a significant deficiency in internal control over financial reporting reported disclosed by the audit of the financial statements. There are no material weaknesses reported.

C. There were no instances of noncompliance material to the financial statements of the Organization disclosed in the audit which would be required to be reported in accordance with *Government Auditing Standards*.

D. There were two significant deficiencies in internal control over the major federal programs disclosed by the audit. There were no material weaknesses in internal control over the major federal programs disclosed by the audit.

E. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.

F. The audit disclosed no noncompliance findings required to be reported.

G. The major programs tested:

CFDA Number(s)	Title of Program or Cluster
93.569	Community Services Block Grant
93.568	Low Income Home Energy Assistance Program - LIHEAP
81.042	Weatherization Assistance for Low-Income Persons

H. Dollar threshold used to distinguish between Type A and B programs was $750,000.

I. The auditee did not qualify as a low-risk auditee.

2 Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*:

Finding 2018-001 Financial Reporting

Criteria:
All unused check stock should be controlled by limiting access to the stock to authorized personnel, and by keeping them in a secure location. Checks ordered/used should be used in a continuous sequential order.

Condition:
The Vice President of Finance failed to maintain proper safeguards over the unused check stock, nor were the internal control procedures implemented to ensure that the checks ordered and/or used were in a continuous sequential order.

Effect or Potential Effect:
The lack of control over check stock increases the risk for potential errors and increased fraud risk relating to the misuse or misappropriation of the Organization's funds.

Finding 2018-001 Financial Reporting, Continued

Cause:
Vice President of Finance did not store the unused check stock in a secure manner and employees should have used the software's built in controls in order to prevent use of check number duplication.

Context:
There are over 50 instances where a single check number was used twice, and in some cases three times, with varying dates spanning throughout the fiscal year.

Recommendation:
The procedures outlined in the Accounting Financial Policies and Procedures Manual should be implemeted and adhered to.

Views of Responsible Official:
Mrs. Lawrence, President and CEO is working with others in the Organization to develop more effective procedures to maintain control over check stock.

Corrective Action Plan:
See Client's Corrective Action Plan (unaudited).

3 **Findings and Questioned Costs for Federal Awards:**

Finding 2018-002 Financial Reporting - Major Program

#93.569 Community Services Block Grant

Significant Deficiency - Internal Controls

Criteria:
Grants require sufficient documentation to support expended costs.

Condition:
Expenditure documentation was not present and could not be located.

Effect or Potential Effect:
The Expenditures legitimacy could not be achieved with supporting documentation as outlined in the federal awards programs and the accounting procedures manual approved by

Cause:
During the fiscal year there were multiple in-house audits that required the expenditure documentation to be pulled for verification and during that time the information was misplaced and the Organization was unable to locate the documentation. Both of the expenditures were dated on July 31, 2017.

Context:
Lack of evidence to support two expenditures both dated July 31, 2017.

Recommendation
Internal control policies need to be implemented whereby anyone removing expenditure documentation will have to sign authorizing them to do so.

Finding 2018-002 Financial Reporting - Major Program

#93.569 Community Services Block Grant, continued

Views of Responsible Official:
Mrs. Lawrence, President and CEO has implemented new internal control policies and procedures and the expenditure documentation will be located in locked file cabinets with limited access.

Corrective Action Plan:
See Client's Corrective Action Plan (unaudited).

Finding 2018-003 Financial Reporting - Major Programs

#93.569 Community Services Block Grant, #93.568 Low Income Home Energy Assistance Program, #81.042 Weatherization Assistance for Low Income Persons

Significant Deficiency - Internal Controls

Criteria:
Per the federal and state authorities, timely filing and paying of payroll taxes are the responsibility of the Organization. Management is delegated the oversight responsibility in the policy and procedures manual.

Condition:
Two instances where the Virginia Unemployment quarterly taxes and state withholding taxes were not remitted and/or not paid timely for each of the quarters.

Effect or Potential Effect:
Late payments could result in higher unemployment rates for state unemployment taxes and late penalties and interest were assessed by the Virginia Department of Taxation.

Context:
During our testing, two Virginia Unemployment quarterly tax reports were not paid timely, they were paid three months late. It also noted that in one instance state withholding taxes for the entire quarter was remitted with one payment.

Recommendation
Internal controls policies and procedures need to be implemented whereby the payroll tax returns and the payments are timely.

Views of Responsible Official:
Mrs. Lawrence, President and CEO will implemented additional internal control policies and procedures to make sure all payroll reports are timely.

Corrective Action Plan:
See Client's Corrective Action Plan (unaudited).

4 **Results of Prior Year Findings**

There were no Prior Year Findings and Questioned Costs reported.

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January 29, 2019

CORRECTIVE ACTION PLAN
ATTACHED TO AGENCY-WIDE AUDIT YEAR ENDED JUNE 30, 2018

Name of Contact Person: Regina P. Lawrence, President and CEO

The Board of Directors was provided a draft of the Corrective Action Plan for review. With their input and approval, this final Corrective Action Plan is herewith submitted as an attachment to STOP's Agency-wide Audit for year ended June 30, 2018.

Audit Finding Reference: 2018-001

Corrective Action Plan:

A. What Action STOP Will Take to Correct the Finding

Multiple layers of additional internal controls either have been or will be implemented as follows:

(1) According to already established procedures outlined in STOP's Accounting Financial Policies and Procedures Manual, ALL unused checks have been removed from the Finance storage space and placed in a locked file cabinet housed in the office of the Interim Vice President of Finance until a safe large enough to hold the unused check stock can be purchased. The President and CEO currently maintains a key to the office of the Interim Vice President of Finance and a key to the locked cabinet which houses the unused checks and will maintain a key to the safe once purchased.

(2) The Finance staff members responsible for the bulk of the check duplications are no longer employed with the Agency.

(3) A check register was generated from the accounting system to ensure that no check duplications occurred since the new audit year beginning July 1, 2018. A check register will be generated each Friday with hard copies maintained in the offices of the Interim Vice President of Finance and the President and CEO.

(4) Since this situation was reiterated with the newly appointed Interim Vice President of Finance by the auditors, the President and CEO directed the Interim Vice President of Finance to instruct staff on the proper usage of the accounting software. Further, staff were informed that no one should take the liberty of overriding the accounting software and that the software's built in controls MUST be utilized to prevent use of check number duplication. Any staff member acting contrary to established policies and procedures will be subject to disciplinary action leading up to and including termination.

In STOP's "new" accounting software, the President and CEO ensured that staff could be locked out with no ability to override the Agency's accounting software when the system indicates that a particular check number has already been utilized.

(5) A **"Check Control Log (CCL)"** will be created and maintained as a master listing of ALL Agency checks received for the following purposes: **(a)** to track **ALL** checks in sequential order for the prevention of check number duplication and potential errors and **(b)** to significantly decrease fraud risk. The CCL will be stored in the same locked file cabinet which contains all unused checks in the office of the Interim Vice President of Finance.

(6) A **Finance Department Check Control Log: Oversight Record Form** will be created to track monthly and quarterly reviews of the **CCL**.

(7) The **Oversight Record Form** will document when and who conducts each review, cite observations (positive or negative) and state any corrective actions, for immediate correction if needed and will be maintained in the office of the President and CEO.

B. When the Action Will Be Completed

(1) Following a discussion with the President and CEO on October 5, 2018, the newly appointed Interim Vice President of Finance was instructed to maintain control over the unused check stock until it could be moved into the office of the Interim Vice President. All unused checks were temporarily moved to the office of the Interim Vice President of Finance under lock and key on Friday, October 19, 2018. A safe large enough to hold the unused check stock will be purchased by no later than March 31, 2019. The President and CEO requested and received a key to the locked file cabinet which contains all unused checks and will maintain a key to the safe once purchased.

(2) Staff members were separated from the Agency by December 7, 2018.

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(3) The check register was generated from the accounting system on January 25, 2019 and distributed to the President and CEO for review and filing.

(4) Upon the receipt of the Agency's final audit for the year ending June 30, 2018. JMT Consultants will migrate the data from the Finance server to an online portal. The "new" accounting software will be online by March 31, 2019 or sooner.

(5) The CCL will be created by the President and CEO, Interim Vice President of Finance and the Senior Accountant for review by the Board Chairman by no later than Friday, February 1, 2019.

(6) The **Finance Department Check Control Log: Oversight Record Form** will be completed on Thursday, January 31, 2019.

(7) Ongoing monthly reviews will be conducted effective February 2019. Ongoing quarterly reviews will be conducted effective March 2019.

C. Who Will Be Responsible for the Corrective Action

(1) The Interim Vice President moved the unused check stock and held the discussion with staff. The Senior Accountant will research and prepare appropriate documents for approval to order the safe.

(2) The President and CEO separated applicable Finance staff members from employment with the Agency.

(3) At the direction of the President and CEO, the Interim Vice President of Finance generated a check register from the accounting system.

(4) STOP began negotiations in February 2018 with JMT Consultations who is the vendor for Abila's online accounting software. JMT Consultants will migrate the data from the Finance server to an online portal. STOP's Vice President of Management Support and Special Projects (MSSP) will serve as the IT Administrator and will have oversight of the transfer. The Vice President of MSSP will log the number of kilobytes prior to the migration of data and document same for the President and CEO's records upon completion of the data migration.

(5) The President and CEO, Interim Vice President of Finance and the Senior Accountant will create the CCL. The CCL will be maintained by the Vice President of Finance in the locked file cabinet containing the unused check stock.

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(6) The President and CEO and Board Chairman.

(7) The President and CEO will be responsible for monthly reviews. The Board Chairman will be responsible for quarterly reviews; however, he/she may designate the Board Treasurer or some other knowledgeable Board member, to conduct the Board's quarterly review.

Audit Finding Reference: 2018-002

Corrective Action Plan:

A. What Action STOP Will Take to Correct the Finding

Additional internal controls will be implemented as follows:

(1) Source documentation for all expenditures will be maintained in locked file cabinets until the Agency is equipped to electronically backup all source documentation. **(a)** The President and CEO will maintain copies of all source documentation as a backup to the finance files.

(2) A **File Document Control Log** will be created for signing documents in and out of the files. The log will be maintained in each file folder.

B. When the Action Will Be Completed

(1) All files will be transferred by no later than Friday, March 1, 2019. **(a)** Effective February 1, 2019.

(2) The **File Document Control Log** will be completed by no later than Monday, February 4, 2019.

C. Who Will Be Responsible for the Corrective Action

(1) The Interim Vice President of Finance will order the file cabinets by Friday, February 1, 2019. The Finance staff, inclusive of the Vice President of Finance and the Senior Accountant will transfer all files to the locked cabinets by no later than Friday, March 1, 2019. The Vice President of Finance and the President and CEO will maintain a set of keys for the marked cabinets which will remain secured on site in the offices of the Vice President of Finance and the President and CEO. The Senior Accountant will be issued a key to the office of The Vice President of Finance for access to the file cabinet keys. **(a)** The Executive Assistant to the President and CEO/Board Liaison.

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(2) The Interim Vice President of Finance and the Senior Accountant will create a **File Document Control Log** for signing documents in and out of the files. The log will be maintained in each file folder.

Audit Finding Reference: 2018-003

Corrective Action Plan:

A. What Action STOP Will Take to Correct the Finding

Additional internal controls will be implemented as follows:

(1) The President and CEO previously put in place a corrective measure regarding the payment of Federal payroll taxes: each pay period, the President and CEO requires that the Interim Vice President of Finance presents her, for review and approval, the **(a)** Direct Deposit Voucher Register; **(b)** Update Automated Clearing House (ACH) Batch; and the **(c)** Quick Check/Transaction Register. Once the President and CEO verifies the amount of the tax payment, the payment is processed, paid online and **(d)** The Electronic Federal Tax Payment System (EFTPS) Payment Detail Form is printed and presented to the President and CEO for the file package. A copy of the file package will be maintained in the offices of the Interim Vice President of Finance and the President and CEO.

The President and CEO put the following State tax payment process into place and will review prior to payment of taxes for each payroll: each pay period, the President and CEO requires that the Interim Vice President of Finance presents her, for review and approval, the **(a)** Direct Deposit Voucher Register; **(b)** Update Automated Clearing House (ACH) Batch; and the **(c)** Quick Check/Transaction Register. Once the President and CEO verifies the amount of the tax payment, the payment is processed, paid online and **(d)** The Virginia Department of Taxation, Virginia Confirmation Page is printed and presented to President and CEO for the file package. A copy of the file package will be maintained in the offices of the Interim Vice President of Finance and the President and CEO.

(2) Moving forward, upon the completion of the final payroll of the quarter, the SUTA Report and corresponding unemployment tax payments will be processed together. Both the Report and the corresponding documentation for payment will be presented to the President and CEO for review and approval. The documents for review and approval are: **(a)** Virginia Employment Commission Employer's Quarterly Tax Report (FC-20); **(b)** STOP Inc. Quarterly

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SUTA Taxes generated from the accounting software; **(c)** actual check with supporting Accounts Payable Voucher documentation and mailing envelope with postage.

The mailing process is as follows: **(d)** the actual check will be mailed certified, return receipt requested with postage from the office and delivered to the nearest U.S. Post Office to obtain a date stamp which will serve as proof of mailing. **(e)** a copy of the envelope with check enclosed and proof of mailing will be maintained in the offices of the Interim Vice President of Finance and the President and CEO along with copies of all required documentation.

The President and CEO will not approve the SUTA Report unless it is accompanied by the required payment and all supporting documentation.

B. When the Action Will Be Completed

(1) The President and CEO put the State tax payment process into place effective with the pay period ending Friday, January 25, 2019; the process will be followed each pay period thereafter.

(2) STOP's next SUTA Report, for the quarter ending December 31, 2018 and corresponding payment was mailed on Monday, January 28, 2019. Effective no later than the last day of the month following each quarter, the SUTA report with corresponding payment will be post marked and mailed, certified return receipt requested.

C. Who Will Be Responsible for the Corrective Action

(1) The Interim Vice President of Finance will present and sign the payment confirmation documents for the Federal, State and SUTA payroll tax payment. The President and CEO will review and verify that the source documentation matches each report prior to approval of the document package.

(2) Interim Vice President of Finance, Senior Accountant and President and CEO.

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STOP Inc.'s President and CEO and Board Chairman take responsibility for ensuring that all items reported as findings in the audit of STOP Inc.'s Financial Statements for the year ending June 30, 2018 are put into correction and resolved prior to the year ending June 30, 2019.

Printed Name, Title	Signature	Date
Regina P. Lawrence, President and CEO	R.P. Lawrence	1/29/2019
William E. Curtis, Board Chairman		29 January 2019

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Shareholders Stephen M. Jones Ali E. Gunbeyi Cathy C. Nadeau Nellie M. Green

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 5, 2018

Board of Directors
STOP Inc.
Virginia Beach, VA

Norfolk Office
120 Atlantic Street
Suite 300
Norfolk, VA 23510-1729
757.627.7672

Virginia Beach Office
100 Constitution Drive
Suite 200
Virginia Beach, VA 23462
757.631.4760

Newport News Office
11837 Rock Landing Drive
Suite 202
Newport News, VA 23606
757.596.3046

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of STOP Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issue our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STOP Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STOP Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the STOP Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be sigificant deficiencies as outlined below:

2018-001
Management should implement procedures to safeguard unused check stock in order to prevent unauthorized use of cash. During testing procedures, it was noted that several check numbers were either duplicated or used three times, with varying dates. This provides the opportunity for fraudulent misuse and misappropriation of assets. Checks should be prenumbered, and the sequence reviewed and accounted for on a regular basis. All unused checks should be controlled by limiting the access to the stored checks, and by keeping them in a secure location by someone with management authority. If possible, warnings signs from within the software progam should be setup adhered to reflecting check numbers have been previously used, and immediately inform Management.

2018-002
Effective internal control over accounting procedures and financial reporting mandates sufficient documentation to support expenditures.reflected in the accounting records. During testing procedures, we discovered two expenditures where no documentary evidence was provided or insufficient evidence. Therefore, verification could not be achieved. Without proper documentation, it cannot be determined that proper approval, proper recording in the accounting records, accurate reporting, or proper allocation of allowable expenses to the respective grant program(s) or to the administrative expenses for indirect allocation to the respective grant or grant(s) existed.

2018-003
Payroll tax deposits, monthly reports, quarterly, and annual reports were not consistently filed and paid timely. Potential risks of this deficiency includes filing inaccurate returns and the incurrence of penalties and interest for late filing and late payment of reports. Management must oversee the filing and payment of payroll reports to be in compliance with the federal and state requirements.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Norfolk, Virginia

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Shareholders Stephen M. Jones Ali E. Gunbeyi Cathy C. Nadeau Nellie M. Green

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 5, 2018
Board of Directors
STOP Inc.
Virginia Beach, VA

We have audited the financial statements of STOP Inc. (the "Organization") for the year ended June 30, 2018, and have issued our report thereon dated November 5, 2018. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 5, 2018. Professional standards also require that we communicate to you the following information related to our audit.

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120 Atlantic Street
Suite 300
Norfolk, VA 23510-1729
757.627.7672

Virginia Beach Office
100 Constitution Drive
Suite 200
Virginia Beach, VA 23462
757.631.4760

Newport News Office
11837 Rock Landing Drive
Suite 202
Newport News, VA 23606
757.596.3046

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by STOP Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

> Management's estimate of depreciation is based on the straight line method. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit.

We encountered significant difficulties in dealing with management in performing and completing our audit.

> The audit fieldwork was scheduled within a time frame which would allow for the audit procedures and reports to be submitted with the federal government on or before the due dates. However, there were instances where requested information during the course of the field work were not made available to us in a timely manner. Therefore, we had to expend additional time to make repeated attempts to obtain the information that was in many cases originally requested 30 days prior to the start of fieldwork days.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of STOP Inc. and is not intended to be , and should not be, used by anyone other than these specified parties.

Jones CPA Group, P.C.

Jones CPA Group, P.C.
Norfolk, Virginia

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FOLLOW-UP ATTACHMENT DATED MARCH 29, 2019
TO
STOP INC. AGENCY-WIDE AUDIT: CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

Contact Information: Regina P. Lawrence, President and CEO, lawrence@stopinc.org, 757-288-7569

The following itemizes the steps taken to cure Agency-wide Audit Findings outlined in STOP's Corrective Action Plan

Audit Finding Reference: 2018-001

(1) A safe large enough to hold the unused check stock will be purchased by no later than March 31, 2019. **Cured Friday, March 29, 2019.**

(2) No additional response required.

(3) A check register will be generated and secured each Friday, beginning January 25, 2019. **Cured Friday, January 25, 2019 and ongoing.**

(4) The "new" accounting software will be online by March 31, 2019. **Cured Friday, February 1, 2019**

(5) A "Check Control Log (CCL)" will be created and securely maintained by Friday, February 1, 2019. **Cured February 1, 2019 and ongoing.**

(6) The Finance Department Check Control Log: Oversight Record Form will be completed and securely maintained on Thursday, January 31, 2019. **Cured Thursday, January 31, 2019 and ongoing.**

(7) The Oversight Record Form will be reviewed monthly, effective February 2019 and Quarterly, effective March 2019. **Cured Monthly, February 13, 2019 and ongoing** and **Cured: Quarterly, March 19, 2019 and ongoing.**

Audit Finding Reference: 2018-002

(1) Source documentation for all expenditures will be maintained in locked file cabinets by Friday, March 1, 2019. **Cured Wednesday, February 27, 2019.** **(a)** The President and CEO will maintain copies of all source documentation as a backup to the finance files. **Cured February 1, 2019**. As an ongoing solution, a Document Retention Specialist was hired on February 11, 2019 for scanning, packaging, filing and retrieval of all source documentation.

(2) The File Document Control Log will be completed by no later than Monday, February 4, 2019. **Cured Monday, February 4, 2019 and ongoing.**

Audit Finding Reference: 2018-003

(1) Federal and State tax payment processes will be placed into effect with the pay period ending Friday, January 25, 2019; the process will be followed each pay period thereafter. **Cured Friday, January 25, 2019 and ongoing.** Additionally, the quarterly State Unemployment Tax Act (SUTA) tax payment process will be placed into effect January 2019. No later than the last day of the month following each quarter the SUTA Report and payment will be processed. **Cured Monday, January 28, 2019 and ongoing.** For Federal, State and SUTA tax payments, the President and CEO will review and verify that the source documentation matches each report prior to approval of the document package and payment.

(2) No additional response required.

City of Franklin
VIRGINIA
Growth • Community • Spirit

Agency Funding Request for Fiscal Year 2020-2021

Please return an original and (1) copy of the completed form along with supporting material/attachments no later than **January 6, 2020** to: Tracy Spence, Finance Director, 207 West 2nd. Avenue, Franklin, VA 23851 or deliver to the Finance Department, City Hall – 2nd Floor. Emailed application with all necessary attachments will be accepted. The email address is: tspence@franklinva.com

I. General Information & Description

1. Organization/Legal Agency Name:

Voices for Kids CASA Program of Southeast Virginia

2. Federal ID#/Tax Exempt#:

262930418

Please provide the name of the primary contact person for your agency:

3. Executive Director or Primary Contact:

Name	Title
Michele Jones	Executive Director

4. Finance Director/Treasurer:

Name	Title
Sarah Williams	Treasurer

5. Mailing Address:

P.O. Box 949
409 Main Street
Smithfield, VA 23431

6. Phone:	7. Fax:	8. Email address:
757-357-2170	757-357-5709	mjone@vfkcasa.org

9. Website Address:

vfkcasa.org

II. Agency Funding

10. Length of Funding Requested ☐ One time ☒ Continuous

10a. Amount requested for fiscal year 2020-2021: $3,000.00

Please explain any changes in the funding request for the organization from the amount requested in the previous fiscal year.

11. Have you received funding from the City of Franklin in the past? YES ■ NO ☐
12. If yes, please indicate the current & previous fiscal year(s) your agency received funding from the City.

Fiscal Year	Amount
FY 19-20	$2,000.00
FY 18-19	$2,000.00
FY 17-18	$2,000.00
FY 16-17	$2,000.00
FY 15-16	$2,000.00
FY 14-15	$2,000.00
FY 13-14	$2,000.00

13. Amounts received from other sources (federal, state, donations, grants, other jurisdictions) to support your operations in the **current year (FY 2019-2020)**

Source	Amount
DCJS / VOCA Federal	$17,500.00
Charities	$10,000.00
IOW County	$20.000.00
Southampton County	$17,750.00
City of Franklin	$2,000.00

14. Amounts requested or expected from other sources (federal, state, donations, grants, other jurisdictions) to support your operations **next year (FY 2020-2021)**

Source	Amount
DCJS / VOCA Federal	$17,500.00/approved
Charities	$12,250.00/approved
IOW County	$20,000.00/pending
Southampton County	$18,000.00/pending

15. Give the number of Franklin residents utilizing your agency's services: (number of clients or residents)

FY 18-19Actual	FY 19-20 Estimated	FY 20-21 Projected
69	74	76

(SIGNATURE OF EXECUTIVE OFFICER) ____________________

*************************** *For Finance Office Use Only* ***************************

Date Application Received ____________

Amount Requested **$**____________ **Amount Approved $**____________

Audit/Financial Report on File **Yes**________ **No** ________

(PRINTNAME) MICHELE B JONES

CASA
Court Appointed Special Advocates for Children
Voices for Kids CASA Program of Southeast Virginia
409 Main Street
P. O. Box 949
Smithfield, VA 23431
(757) 357-2170

December 23, 2019

Tracy Spence - Director of Finance
City of Franklin - Finance Department
207 W. Second Avenue
P.O. Box 179
Franklin, VA 23851

Voices for Kids CASA of Southeast Virginia

Mission Statement

The Voices for Kids CASA Program of Southeast Virginia shall recruit, train and supervise volunteers to speak for the best interests of abused and neglected children, as well as other children, whose welfare has been brought to the attention of the Juvenile and Domestic Relations Court. We shall provide, promote, and support quality volunteer advocacy for children, helping to ensure a safe, permanent, nurturing home for each child as quickly as possible. The Program seeks to educate the community concerning the needs of the children we serve and ways they can help.

Dear Ms. Tracy Spence, and the Franklin Board of Supervisors,

The Voices for Kids CASA Program's is a 501 c 3 organization. Our mission is to advocate for abused and neglected children, as well as other children in the 5th Judicial District that are eligible for our services, so that they can be placed in safe permanent homes as quickly as possible. We have worked hard since our inception in July 2004 to achieve this mission. The Program provides services in Franklin, Isle of Wight County, Southampton County, and the city of Suffolk. Your support is absolutely critical to the success of our mission, and Voices for Kids CASA is very grateful to you for your continued commitment and support of this Program and the children we serve in Franklin.

The Program's continued success in the FY 2020-2021 as a private organization and the continued progress of the service area is predicated upon the support of the City of Franklin. Voices for Kids CASA continued its efforts to diversify our funding by securing financial support from various sources, including the Department of Criminal Justice Services (DCJS), corporate and citizen donations, local foundations, and various fundraisers. The issue most affecting the Program's ability to sustain independence and our expanded service area is the severely weakened economy.

As stated last year, the Program continues to struggle serving the city of Franklin on annual budget of $2,000. While the Program certainly understands the added strain that the economy has placed on the fiscal budgets of all local governments, a reduction in the City of Franklin's support has and will certainly continue to affect the Program's ability to maintain its staff, provide required training to our volunteers, meet basic operational needs and maintain its level of services. Voices for Kids CASA therefore respectfully plead with you as a board to please raise the level of support towards VFKCASA daily operations to $3,000.00 for the FY20-21.

Please feel free to contact me with your response, questions or comments, and thank you so much for supporting Voices for Kids CASA and the children we serve in the 5th District.

Sincerely,

Michele B. Jones
Executive Director

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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BBCP

Barnes, Brock, Cornwell & Painter, PLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Voices for Kids CASA Program of Southeast Virginia
Isle of Wight, Virginia

We have audited the accompanying financial statements of Voices for Kids CASA Program of Southeast Virginia (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Voices for Kids CASA Program of Southeast Virginia as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Brock, Cornwell & Painter, PLC

September 26, 2019
Chesapeake, Virginia

9 West Windsor Boulevard • Post Office 237 • Windsor, Virginia 23487 • 757-242-9271 • Fax 757-242-4072
908 Eden Way North, Suite 201 • Chesapeake, Virginia 23320 • 757-961-5017 • Fax 757-961-5415

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash	$ 78,190	$ 76,773
Prepaid expenses	15,179	13,073
Total current assets	$ 93,369	$ 89,846
FURNITURE AND EQUIPMENT:		
Furniture and Equipment	$ 24,632	$ 24,632
Less accumulated depreciation	22,350	19,925
Net furniture and equipment	$ 2,282	$ 4,707
Total assets	$ 95,651	$ 94,553

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES:		
Accounts payable	$ 1,256	$ 1,285
NET ASSETS:		
Without donor restrictions	94,395	93,268
Total liabilities and net assets	$ 95,651	$ 94,553

See independent auditor's report and accompanying notes to financial statements.

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Comparative 2018 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	$ 19,427	$ -	$ 19,427	$ 7,745
Grants	-	110,000	110,000	107,725
Government contributions	-	40,057	40,057	75,109
Fundraising income, net of expenses $16,361 and $11,242, respectively	12,782	-	12,782	16,132
Contributions-in kind	54,806	-	54,806	49,972
Net assets released from restrictions	150,057	(150,057)	-	-
	-			
Total operating revenue and support	$ 237,072	$ -	$ 237,072	$ 256,683
EXPENSES:				
Program services	$ 217,410	$ -	$ 217,410	$ 211,616
Management and general	7,490	-	7,490	20,529
Fundraising	7,001	-	7,001	6,066
Total expenses	$ 231,901	$ -	$ 231,901	$ 238,211
CHANGES IN NET ASSETS BEFORE NON-OPERATING REVENUE	$ 5,171	$ -	$ 5,171	$ 18,472
NON-OPERATING REVENUE:				
Interest income	128	-	128	60
CHANGES IN NET ASSETS AFTER NON-OPERATING REVENUE	$ 5,299	$ -	$ 5,299	$ 18,532
PRIOR PERIOD ADJUSTMENT	(4,172)	$ -	(4,172)	-
NET ASSETS, BEGINNING OF YEAR	93,268	-	93,268	74,736
NET ASSETS, END OF YEAR	$ 94,395	$ -	$ 94,395	$ 93,268

See independent auditor's report and accompanying notes to financial statements.

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	PROGRAM ACTIVITIES	SUPPORTING ACTIVITIES				(Restated) Comparative
	Program Services	Management and General	Fund Raising	Supporting Subtotal	2019 Total	2018 Total
Salaries and related taxes and benefits	$ 105,149	$ 5,841	$ 5,841	$ 11,682	$ 116,831	$ 113,573
Donated services: in-kind	53,123	-	-	-	53,123	49,972
Total salaries and related expenses	$ 158,272	$ 5,841	$ 5,841	$ 11,682	$ 169,954	$ 163,545
Advertising	6,447	-	716	716	7,163	8,613
Auto expense	876	-	-	-	876	2,763
Case management	4,766	-	-	-	4,766	5,350
Depreciation	2,425	-	-	-	2,425	2,778
Gifts	742	-	-	-	742	823
Insurance	2,515	-	-	-	2,515	2,854
Membership dues	1,343	-	-	-	1,343	615
Office expenses	6,774	797	398	1,195	7,969	11,861
Occupancy	11,483	-	-	-	11,483	10,450
Postage and shipping	787	93	46	139	926	502
Professional fees	6,838	759	-	759	7,597	13,410
Property insurance	-	-	-	-	-	156
Telephone	7,666	-	-	-	7,666	7,247
Taxes and licenses	381	-	-	-	381	-
Volunteer management	6,095	-	-	-	6,095	7,244
Total expenses	$ 217,410	$ 7,490	$ 7,001	$ 14,491	$ 231,901	$ 238,211

See independent auditor's report and accompanying notes to financial statements.

VOICES FOR KIDS CASA PROGRAM OF SOUTHEAST VIRGINIA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 5,299	$ 18,532
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	2,425	2,778
(Increase) decrease in assets:		
Prepaid expenses	(6,278)	(763)
Security deposit	-	500
Increase (decrease) in liabilities:		
Accounts payable	(29)	99
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,417	$ 21,146
NET CHANGES IN CASH	$ 1,417	$ 21,146
CASH - BEGINNING OF YEAR	76,773	55,627
CASH - END OF YEAR	$ 78,190	$ 76,773

See independent auditor's report and accompanying notes to financial statements.

NOTE 1 - ORGANIZATION:

Voices for Kids CASA Program of Southeast Virginia ("The Organization") is a not-for-profit corporation organized to recruit, train and supervise volunteers to speak for the best interests of abused and neglected children, as well as other children, whose welfare has been brought to the attention of the Juvenile and Domestic Relations Court. The Organization helps to provide, promote, and support quality volunteer advocacy for children, helping to ensure safe, permanent, and nurturing homes for each child as quickly as possible. The program seeks to educate the community concerning the needs of the children they serve and ways they can help..

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accrual basis of accounting recognizes income when earned and expenses when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

• Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

• Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintained no such balances as of June 30, 2019 and 2018.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Clinic's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Contributions

The Organization recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by the donor. The value of contributed services meeting these requirements for recognition in the financial statements was $54,806 and $49,972 for the years ended June 30, 2019 and 2018, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Donated Assets and Services

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially subject the organization to concentrations of credit risk, consist principally of cash, temporary cash investments and receivables. The Organization places its cash and temporary cash investments with high credit quality depositories, and its receivable is due from a foundations primarily located within the organizations geographic area.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of $250,000, for each deposit insurance ownership category. As of June 30, 2019 and 2018, the Organization did not have demand deposits on hand in financial institutions which exceeded depositor's insurance provided by the applicable guaranty agency.

Furniture and Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is computed using straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment are as follows:

Asset Category	Useful Life
Furniture and equipment	5 - 7 Years

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to $2,425 and $2,778, respectively.

Advertising Costs

The Organization expenses the cost of advertising when incurred. The Organization incurred advertising expenses of $7,163 and $8,613 for the years ended June 30, 2019 and 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes

Voices for Kids CASA Program of Southeast Virginia, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration.

The Organization's federal return of Organization Exempt from Income Tax (Form 990) for fiscal years ending 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense:	Method of Allocation:
Salaries, benefits, and payroll taxes	Time and Effort
Advertising	Reasonable and consistently applied
Auto expense	Reasonable and consistently applied
Case management	Reasonable and consistently applied
Depreciation	Reasonable and consistently applied
Gifts	Reasonable and consistently applied
Insurance	Reasonable and consistently applied
Membership dues	Reasonable and consistently applied
Office expenses	Reasonable and consistently applied
Occupancy	Square footage
Postage and shipping	Reasonable and consistently applied
Professional fees	Reasonable and consistently applied
Property insurance	Reasonable and consistently applied
Telephone	Reasonable and consistently applied
Taxes and licenses	Reasonable and consistently applied
Volunteer management	Reasonable and consistently applied

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - LEASE COMMITMENTS:

On May 1, 2018, the Organization entered into a lease for office space located in Smithfield, Virginia. The lease term expires on April 30, 2020. The Organization paid the entire lease of $12,400 in advance. The lease will renew on an annual basis.

Rent expense for the years ended June 30, 2019 and 2018 was $11,483 and $10,450, respectively.

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by donor.

	2019	2018
Expenses from temporarily restricted funds:		
Health and Human Services	$ 150,057	$ 182,834

NOTE 5 - EMPLOYEE BENEFIT PLAN:

The Organization has a defined contribution salary deferral plan covering all full-time employees. Under the plan, the Organization contributes three percent of their annual salary. The annual contribution is at the board's discretion. The Organization did not incur any expenses related to this plan for the years ended June 30, 2019 and 2018.

NOTE 6 - LIQUIDITY:

Voices for Kids CASA has $78,190 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $78,190. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

NOTE 6 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 26, 2019, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through September 26, 2019 that would require adjustment to, or disclosure in, the financial statements.